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CZECHOSLOVAKIA

Problems of Developing CPCZ Membership Base Discussed

24000133 Prague NOVA MYSL in Czech
No 4, 1989 pp 69-78

[Article by Alena Bila: "On Some Questions Involved in the Development of the Party Membership Base"; first paragraph is NOVA MYSL introduction]

[Text] The presented material is one of the contributions on the views dealing with the weighty problem of the membership base and the action capability of the party. The editors of NOVA MYSL will be returning to these questions, the importance of which is prominent, particularly from the standpoint of the topical tasks of the party during the process of restructuring.

Creative application of the leading role of the Communist Party is one of the fundamental prerequisites for the further development of our country. The deepening of this task is always connected with two mutually contingent aspects of party activity. The party must engage in the all-around perfection of its task as the political core of society while supporting the line calling for the further development of socialism. It does so by the consistent implementation of Marxist-Leninist policy, through the constant renewal and strengthening of its connections with the masses of the working people. Simultaneously, it must devote consistent attention to improving its own internal life and to raising the level of its activities in order to be responsive to the extent and seriousness of the tasks of the given period. From this viewpoint, constant concern involving the development of the party's membership base is among the fundamental factors safeguarding the growth of the efficiency pertaining to the party's leadership of society.

Following the 14th Congress of the CPCZ, the formulation of party statutes became a matter of primary importance. After the experiences of preceding years, when inconsistent respect for the Leninist principle of party membership, which, for example, was manifested in the underestimation of the class viewpoint, in weakening the selection of individuals for party membership, in a low level of ideological work, and in reconciliation with respect to foreign ideological influences, in permanent passivity in part of the membership, etc., led to weakening the Marxist-Leninist character of the party and to a decline in its action capability, party organs and organizations approached this task in a more goal-oriented manner. They gradually perceived a further numerical growth and an improvement in the quality of the party membership base as an essential prerequisite for deepening the tasks of the party as a political vanguard of society in accomplishing the stated strategic policy line. Consistent verification of the fulfillment of approved resolutions intended to improve the quality of the membership base and of measures adopted to overcome shortcomings resulted in positive changes, both of a

social class nature and also changes in the age composition of the party ranks, and strengthened the influence of the party among individual groups of workers.

In harmony with the long-established concept of improving the quality of the CPCZ membership base, which was worked out at the beginning of the 1970's, stemming from growing requirements for party activity and for the implementation of its leading role in society, rendered more accurate and augmented on the basis of findings from regular analyses of results attained, party ranks underwent a numerical and quality increase prior to the 17th congress. In the period between the 16th and the 17th CPCZ Congress, the membership base grew numerically, its social class composition improved, the age structure and educational level improved, there was an increase in the number of women in the membership base, and partial success was achieved in improving the distribution of Communists, particularly in decisive sectors of socialist expansion.¹

The fundamental methodological point of departure of the scientific approach to the solution of membership questions facing our Communist Party is the connection between the capability of the party to lead the struggle for social change and the quality of its membership base.

The functioning of the party as the vanguard of the working class and of the other working people is, to a considerable extent, determined by the classes, groupings, and strata of the population from which it arises, on how it organizes and conducts the selection and acceptance of members into its ranks, on how it takes care of the ideological-political and practical training of candidates and members, and on the magnitude of the demands it places on their work. Under specific historical conditions, Marxist-Leninist parties form their membership bases in such a manner as to enable them to stand at the head of fulfilling specified program goals and tasks. They see to their proportionate numerical growth, but, primarily, must strive to attain the desirable quality.

The quality of the membership base is seen in the unity of the following fundamental factors:

a) the conscientiousness of Communists, manifesting itself in their ideological-political maturity, in their irrevocability with respect to enemy ideologies, with respect to all antisocial manifestations which are foreign to Marxism-Leninism and in the principled struggle against them, in their discipline and responsibility vis-a-vis the party;

b) activeness on the part of Communists, which finds its concrete expression in the responsible implementation of the political line and in party resolutions, in the exemplary fulfillment of everyday work responsibilities, in participation in the political and public life of society at the workplace and at the place of residence with the

goal of recruiting workers to implement party policies through their own attitudes; both above-listed factors are closely tied to the character traits of Communists;

c) the composition of the membership—the social class composition, the age composition, the nationalities composition, the composition by sex, education, and length of membership.

All of these components are mutually contingent upon each other and the overall functioning and conduct of the membership base is the result of their mutual interaction. In their totality, they exert an important influence upon the level of intraparty relationships, upon the forms and methods of party activity, upon the cadre composition of party organizations. Their close connection with the possibilities and capabilities of the party to recognize and correctly express the interests and needs of individual social groups, to specifically influence developments in society, with its ability to work among the masses and to positively influence those without party affiliation, to recognize deviations, incorrect views, and to conduct an effective struggle against them, is clear. The level of fulfillment pertaining to political lines established by the party and the level of results and changes achieved cannot be separated from the quality of the membership base.

What determines the quality of the membership base? First, it is determined objectively, that is to say, by the character and interests of the class and other social groups, by the social class structure of society, by the socioeconomic and political situation. From the beginning of the existence of Marxist-Leninist-type parties, members of the working class have been the principal source from which the parties have selected their members and augmented their ranks. The traits of the economic certainties pertaining to the working class are a compelling factor in causing this class to remain in the role of this decisive source, even in future stages of socialist development.

However, in addition to the economic traits of the working class, indications of the superstructure, that is to say, of communist awareness, class organization, and political activity also have their own importance. The degree of their development is not given only by the morally free characteristics of people, but primarily as a result of objective factors, which include the environment in which people live and work and which exerts an influence upon the creation of their relationships with the party. The experiences of Marxist-Leninist parties confirm that the capability to fully develop consciousness and activity is related to the social class environment from which the party member comes. Such characteristics, for example, as the irreconcilability with regard to social injustice, dedication to communism, collectivism, and mutual comradesly assistance, solidarity with workers in all countries which were the base of proletarian morality in the capitalist societies and which led to class organization and political activity, together

with, for example, a responsible attitude with regard to work, a sense for what is new and progressive, a sense of social responsibility, a capability for overcoming difficulties even after the working class has gained power, remain characteristic manifestations, particularly for its members. Workers, who form the basic components of the party membership base, must play a decisive role in it. Naturally, this role is not manifested only in an adequate number of workers in the party, their organization in the party, their maximum share in the membership base, but is reflected primarily in how effectively they influence the processes of socialist development.

The revolutionary worker parties never develop their activities solely within the framework of a single class. The similarity of the basic interests of other social groupings with the interests of the working class, the transition of some of their members to working class positions, and the opportunity to acquire their superstructure manifestations, signify an expansion of the social base for accepting party members by including these social forces. Thus, even during stages of socialist development, Marxist-Leninist parties accept the best representatives from among cooperative farmers, from among the intelligentsia, and the other white-collar workers into their ranks, but always stress the preservation of the fundamental condition: namely, that these people have adopted for their own the world view of the working class, that they are connecting their life and all of their activities with this class, that they identify with the policy of this class being the vanguard and become committed to it, that they agree with the conditions of party membership.

A second important factor determining the quality of the party membership base is the goal-oriented activity of party organs and organizations which influences and gives direction to the composition of the membership and the required level of Communists. The concept of forming the membership base not as an unrestrained activity, but as a process of the deliberate direction of its development was considered by V.I. Lenin as the basis for the approach to this important question of party development and activity.

The Marxist-Leninist parties consider the improvement in the quality of their membership bases to be a fundamental task. This is a matter of adapting changes in the quality requirements of the membership base to concrete conditions. Consequently, Marxist-Leninist-type parties strive not only to maintain the attained degree of quality of their membership bases, provided it is at the optimum level at the given time, but, simultaneously, monitor its level and see to it that it is changed or grows from the standpoint of new conditions, needs, and tasks, from the standpoint of its future prospects.

In conjunction with the formation of party ranks, the concept of improving the quality of the party membership base was established in the documents and in party practices after the 14th CPCZ Congress. We perceive

improvements in the quality of the membership base to be a legitimate process which is an organic component involved in improving the efficiency of CPCZ policies, one of the prerequisites for the growth of the leading role played by the working class and by the party in society. This improvement cannot progress in an unrestrained manner, nor as a campaign or as mere administrative activity. It is a purposeful process, based on the consistent application of the Leninist principle of party membership. Its content is formed by continuous concern to achieve an optimum quality with respect to the membership base in conjunction with numerical growth, so as to safeguard the role of the party as a vanguard of the working class and of the other working people. The sense of quality improvement is the deepening of the party's influence in all areas and locations of socialist society. As a consistent and uninterrupted process, it must become a permanent part of the development of the party's internal life and its everyday work.

The process of improving the quality of the party membership base is characterized by complexness; it is the totality of contingent and penetrating activities participated in by all party organs and organizations, by each Communist, and activities in which the most varied methods, forms, and means find application. As such, the process includes: the everyday functioning of the party among those without party affiliation, the development of their work and sociopolitical activities; individual selection and acceptance of candidate members and members into the party ranks; the continuous Marxist-Leninist education of candidates and members, the practical training of candidates for membership in the party, and the permanent activation of members; the deployment of candidates and members of the party in accordance with the needs of the party and of society; consistent care devoted to the purity of the party, connected with disciplinary activities.

This is a process controlled by the party—a planned process with objectively specified intentions for the present and for the future; it is a process which is checked on, given direction by party provisions, and evaluated by the party and the experiences gathered are publicized.

We are in the process of realizing deep socioeconomic and other social changes, stemming from the strategic line of the party calling for the acceleration of development in our society, which were adopted by the 17th CPCZ Congress and which were specified in the comprehensive program for restructuring and democratization, issued by the seventh session of the CPCZ CC at the end of 1987.

The congress stressed that the present period, the complexity, and novelty of these tasks call for the development of a great political struggle for their fulfillment in which the primary stress will be placed on the party, on

the efforts, and self-sacrifice of Communists. The congress determined that the firming up of the class character of the party, the composition and deployment of Communists in individual sectors of society, create favorable conditions for increasing the efficiency of the party's functioning among the working people of Czechoslovakia. The congress, simultaneously, drew critical attention to persistent weaknesses in the work of Communists. It issued a reminder that, even in future years, the primary task must be concern regarding the healthy growth of the party, for the further firming up of its ideological, organizational, and political unity, concern for further improvements in the quality of its social and age structure, and for the growth of its moral authority.

The conclusions emanating from subsequent sessions of the Central Committee, particularly the ninth session, in the spring of 1988, orient our entire party toward the achievement of a qualitative turnaround in the content and style of all of its work. The need for further quality improvement in the membership base was reemphasized and the topicality of previous conclusions approved in this area, particularly the resolution "On the Further Development and Quality Improvement in the Membership Base of the Party, Approved at the Central Committee Session of June 1986," was confirmed. In continuity with the experiences of past years, the following three fundamental conclusions are cited:

1. Increasing the demands placed upon the work of the entire membership base, strengthening the activities and action capability of all party organizations and organs, and paying heed to the quality and purity of party ranks.
2. Consistently applying qualitative viewpoints in the selection, acceptance, and training of candidate members and members of the CPCZ so as to further firm up its class character, its vanguard role in the struggle for the realization of the strategic policy line, and so as to deepen the party's influence in decisive areas of social life.
3. Perfecting the management activities of party organs and organizations in the further improvement of the quality of the party membership base so that their level would reflect the high requirements of the specified directions and goals.

These conclusions lead to the requirement of complexness in improving the quality of the party membership base, which is a prerequisite for its quality and effectiveness. As early as the directives issued in September 1971 by the CPCZ CC on improving the quality of the membership base, as well as in the Central Committee resolutions adopted with respect to this problem in June 1976, questions of the growth and quality improvement of the membership base of our party were brought up in the whole breadth and universality of their significance. The CPCZ CC resolution on the development and improvement in the quality of the party membership base following the 16th CPCZ Congress of June 1981

considered it essential to strengthen the complexity and purposefulness inherent in the formation of party ranks and clarify the individual requirements emanating from these postulations. Nevertheless, the comprehensive approach was not always applied in practice. The CPCZ CC report on the fulfillment of conclusions adopted by the 16th congress, which was presented to the 17th congress of the party, contained critical words indicating that quality improvements in the party membership case "...were not always approached comprehensively, frequently tightening up occurred only during candidate acceptance proceedings...." The fact that, in forming the membership base, uncomprehensive and frequently administrative approaches exist and that the focal point of work is seen only during candidate acceptance proceedings, was recalled with all urgency once more by the ninth session of the Central Committee in April 1988.

The following shortcomings are seen most frequently: the formation of party ranks is inadequately connected with the fulfillment of the main goals of party policy, with the development of intraparty life; quantitative viewpoints are overestimated at the expense of quality; the process is narrowed down to acceptance into the party, less attention is devoted to the continuous activation of members; ideological-political training is not interconnected with practical training for membership; there occurs a narrowing of criteria in the selection of future Communists; frequently, administrative, narrowly organizational approaches persist, and individual work involving members and candidates is either lacking or only of little effect. It is absolutely essential that these shortcomings be eliminated.

In establishing a slower pace for the numerical growth of the membership, the work performed by the party is expressly oriented toward improving the quality of members and candidates. To fulfill this task means to place great requirements upon the conscientiousness of Communists, on their political thinking, on their political and work activities, on their attitudinal characteristics; it means that discipline and personal example must be required of them much more decisively than heretofore.

These stated requirements include the need for Communists to more deeply familiarize themselves with fundamental questions of the scientific world view and with the strategic line of the party, to connect the findings they have acquired with the solution of topical tasks so that they would increase their commitment and responsibility for the fulfillment of party resolutions in the collectives in which they live and work and prosecute new approaches and solutions among workers and citizens alike.

One of the principal questions—the question of the activities and examples set by Communists, is connected with party authority in society. The requirement for a clean moral profile, conscientiousness at work, and

exemplary fulfillment of basic party duties looms as self-evident; unfortunately, it is not always adhered to with such self-evidence. Party membership requires a Communist to prosecute the policies of the party, it requires personal commitment to the tasks of restructuring, it requires that the Communist stand at the head of efforts involved in affecting deep changes in the life of society and to bear responsibility for results, irrespective of where a Communist works. It is the task of the Communists to patiently explain to workers the necessity for the changes and measures, to react to their reminders, to clarify controversial questions, to not be absent when problems are being solved. Communists cannot be indifferent with respect to negative manifestations surrounding us, it is their duty to openly act against the lack of discipline, the lack of order, careerism, bribery, dishonesty. More than before, party officials and leading workers are particularly required to demonstrate courage to speak out in open dialogue with the workers, to be able to argue.

However, for the present, the situation is such that part of the Communists have failed to understand the tasks of restructuring and democratization, they are not prosecuting their implementation in practice, they are not developing the necessary level of activity. This situation has not only objective causes. It is necessary to look for such causes even in the work of party organs and organizations themselves.

One of the indicators of the mutual relationship between the party and the masses is the degree of organization which exists among workers in the party. The CPCZ was always one of the numerically strong parties. Also, at present, more than 1.7 million Communists represent a mighty political force. As far as the overall organization within the CPCZ of the adult population of Czechoslovakia, a relatively high percentage has been achieved: every seventh citizen who is older than 18 years of age is organized in the party.²

Thus, in a number of party organizations, an increase in the number of members is not the main task; rather, the main task is to increase the demands levied upon them and to conduct an uncompromising struggle with formal membership and the lack of discipline. The success of this struggle is contributed to by the uncovering of the reasons for the existing passivity which exists with respect to a part of the membership base and the elimination of everything which leads to it. Let us look for the reasons also in the low level of intraparty life and in the methods and forms of work performed by basic organization committees, which is of little effect. There are great reserves in the development of intraparty democracy, criticism and self-criticism, in the broad range of information at the disposal of Communists, in the elimination of formalism, mediocrity, in the contradiction between words and deeds. It is also necessary to utilize proven forms of individual work with people, such as open comradesly discussion, the assignment of

specific tasks and public accountability by all Communists with respect to their fulfillment of functions, assigned tasks and duties stemming from party statutes. In many a location, a more resolute course of action will be necessary against those who violate the standards of party life, socialist legality, and the principles of socialist morality. Those who do not conduct themselves as Communists must be called to party responsibility by the party and conclusions must be drawn against them. This, together with the overall educational approach, will make it possible to systematically purge the party of those who have parted company with it ideologically and organizationally, those who violate its unity.

In selecting and accepting candidates for membership in the party, it is essential to bring into harmony the further deepening of the party's influence and the attainment of the desired change in the composition of the party membership base (particularly with respect to social class and age composition). The implementation of party influence in worker collectives requires that an appropriate number of Communists be everywhere, particularly, however, in key work sites. The evaluation as to whether Communists are effectively deployed is closely connected with the question of the adequacy of representation by representatives of those classes and social groupings, or professions, which are decisive and key in the given enterprises, cooperatives, institutions, and other installations. During the current breakthrough period, this involves the carriers of sociopolitical and scientific-technical progress. These are, in first place, employees at locations where decisions are made regarding economic results.

Strengthening the worker core of the party membership base does not involve only the acceptance of a certain number of workers. The working class is internally quite stratified and a difference exists among the groups which make it up as to the importance of and readiness to solve tasks connected with the further development of the process of intensification and the full utilization of opportunities inherent in scientific-technical development.

A significant part of the employees of our enterprises is represented by qualified workers from production processes, specially trained for their professions in which elements of physical and mental work are combined. Typically for them, there is a narrow connection with modern equipment and new technologies. The most promising strata of blue-collar workers includes those who are engaged in work containing primarily mental, creative elements, for which a complete middle school or even advanced school education is necessary.

These groups most frequently give rise to initiators of the movement for improved quality, efficiency, and productivity, those who join socialist competitions, are the carriers of new working methods, participate in the introduction of the results of science into production. These groups also most frequently spawn inventors and

innovators who connect effective work with creative work; these people generally enter comprehensive rationalization brigades. It is in the interest of the further development of the party membership base to continue with the development of political-educational and political-organizational work among these people, to do everything necessary to make sure that the high economic activity of these workers is connected with sociopolitical activities, to strive to have the best of these people admitted into the ranks of the party.

In conjunction with the acceleration of scientific-technical development, there is a rise in the amount of responsible tasks to be accomplished by the scientific-technical intelligentsia. The requirements for specialized and political training of the intelligentsia are growing, as are requirements for the management capabilities of workers in leading positions. There can be no doubt that from the standpoint of the current and future tasks, a decisive role is played by those groups which are most frequently connected with material production and with the working class: engineering-technical workers in production operations, direct organizers of production, workers in preproduction enterprises—designers, planners, technologists, developmental workers, research and scientific workers.

It depends on party organizations as to how they will prove able to function in this core of the intelligentsia and achieve the ongoing augmentation of the party membership base with the most conscientious specialists who are the most creative and the most effective in their fields. In selecting candidate members of the party, organizations should take into account not only the active participation of these people in the fulfillment of the restructuring tasks and their moral profile, but also such criteria as the connection of the members of the intelligentsia with the working class.

In the relationship with worker collectives, worker-Communists themselves can and must play an important role. The party has always seen to it that it was represented in the worker environment by those who understand that environment well. Permanent personal contact, accomplished in a common work process with others makes it possible for them to feel their way into the thinking of these people, to recognize their interests, views, to speak with them in a language which is intelligible. A knowledge of the broader sociopolitical connections involved in the work activities which they and their fellow workers in the enterprise are engaged in, moreover makes it possible for them to better overcome obsolete attitudes exhibited by some workers, to give them correct political direction, to recognize the legitimacy of worker demands and reminders and to react to them with flexibility.

With respect to the augmentation of party ranks, special significance accrues to the requirement that the majority of candidate members accepted into the party be progressive and leading workers, and the requirement that

their representation in enterprise organizations be adequately significant. It is only in this manner that party committees can lean on conscientious workers, members and candidates of the party, who enjoy natural authority in worker operations and crews.

But it is precisely with respect to accepting workers into the ranks of candidate members of the party that problems have appeared in recent years. The decline in interest in party membership, the hesitation of particularly young workers in deciding whether to apply for party membership, but also the rejection of party membership, the striking of candidate members from the party rolls, and other manifestations are not adequate in the face of the key significance of worker collectives.

Many a manifestation of this sort has objective causes. But not a few times do the causes lie in the low level of political-educational and political-organizational work engaged in by party organizations. The need to rejuvenate the party with active people who have an honest affinity for restructuring, for the development of socialist society, and to prepare capable successors, must primarily compel basic organizations to think about this status and to find their own effective method leading to change.

Basic organizations must make use of everything which leads to the firming up of their contacts with the workers. They must learn to react to legitimate criticism pertaining to bad organization of work, to the toleration of a lack of discipline, to a lack of interest on the part of some leading workers in worker problems, to overlooking reminders and suggestions from workers, to the poor conduct by some Communists, etc., which is articulated primarily by young workers, on a timely basis and effectively. Basic organizations are expected to more energetically influence the solution of problems involving young people, to assist in the creation of conditions for the adequate utilization of their qualifications, to increase their share in the fulfillment of specific tasks and in the management of social affairs so that they can prove their capability, for the expansion of their independence, initiative, political activity, and, thus, to gain their confidence.

The party is faced by not insignificant tasks pertaining to the political-educational influence it exerts upon the young generation. Among the most difficult and at the same time highly topical tasks are the requirement to change the views of young people with respect to social commitment, which these people frequently reduce only to mere participation in meetings and the payment of membership dues, ridding them of the common perception regarding work within the party, and to motivate them for membership in the party.

Much can be done by Communists directly in working collectives; for the time being, we do not fully appreciate their educational tasks. Influencing young workers must

become a matter not only for party officials, but Communists in the Socialist Youth Union and in the Revolutionary Trade Union Movement also have their share of the responsibility, as do leading workers and, actually, every Communist. All have the opportunity of daily monitoring young people at the workplace in fulfilling their work tasks and to get to know their personal characteristics, views, attitudes, problems, interests during discussions and on the occasion of other meetings, and to directly influence them with words and, primarily, by their example.

In accepting people into the party, it is not enough to take into account only the viewpoint focusing on the importance of the individual classes and social groupings for social progress. The decisive criterion is the quality of the person. This requires the devotion of extraordinary attention to the education and training of future Communists. However, it is a fact that the selection of young people for acceptance into the party ranks and their training for membership in basic organizations continues to be accompanied by formalism, arbitrariness, casualness, seasonality, and superficial knowledge of people, despite the fact that the majority of officials know that this activity should be long-term, goal-oriented, and conceptual in character. Organizations are not working with young people with a significant head start, their selection and training generally occurs over a period of several months so as to fulfill the planned number of people involved. It is fully within the capabilities of committees to change even this incorrect practice.

The implementation of restructuring and democratization of society places new and high requirements upon party work. The entire party must mobilize all reserves toward more rapid progress. This also pertains to the process of improving the quality of its membership base.

Footnotes

1. The results of improving the quality of the CPCZ membership base are specified in selected numerical data on party statistics as of 1 January 1988: the number of Communists has grown from 1,194,191 in 1971 to 1,717,016. The worker core of the party has been firmed up; the number of economically active workers in the membership base increased from 26.1 percent in 1971 to 31.4 percent; the share of all workers (including pensioners) is 43.9 percent; of the total number of workers organized in the party, around 86 percent work in the production sphere, one-half of this number is employed in production operations; of the total number of Communists, approximately two-thirds were originally workers. The share of Communists in the ranks of members of unified agricultural cooperatives in the membership base has increased from 4.9 percent in 1971 to 6 percent. The intelligentsia accounts for virtually one-third of the membership base—32.4 percent, including two-thirds who are counted as technical intelligentsia. Women account for 29.5 percent of the membership base. Young people under 35 years of age represent approximately

one-third of the membership base. Virtually one-half of the members and candidate members have completed middle school or advanced school education.

2. The organization of some groupings within the party is much higher. For example, in some large and decisive enterprises, up to one-fifth of the workers are party members; of the group of mechanizers, repair personnel, service employees, and worker professions at unified agricultural cooperatives, virtually every fifth person is a party member; in the ranks of the intelligentsia, every fourth person is a party member. Party membership is high in the institutes of the Academy of Sciences and at advanced schools (it reaches virtually 50 percent of the entire number of scientific and pedagogic employees). Party membership is also high among leading workers: for example, in unified agricultural cooperatives it is running around 40 percent, among foremen in production it is also 40 percent.

HUNGARY

Revised Draft Law on Political Parties Released for Debate

25000255 Budapest MAGYAR HIRLAP in Hungarian
17 May 89 p 8

[Text]

Legislative Proposal Concerning Political Parties

On 19 April 1989 the Ministry of Justice publicized a draft law concerning political parties in MAGYAR HIRLAP and MAGYAR NEMZET, in the form it was prepared by professionals. The draft law has been revised in due consideration of opinions expressed to the Ministry, and published in mass communication media. Prior to submitting the draft to the Council of Ministers, we once again publicize the proposed law in order to inform the public and to elicit further comment.

The societal function of political parties is to provide an organizational framework for the formulation and declaration of the popular will, and for citizen participation in political life. In the interest of advancing the emergence and enforcement of citizens' political rights and their right to associate, and in order to advance the democratic character and enforcement of interests and values that exist in society, the National Assembly creates the following law:

Chapter 1. The Founding, Registration, and Functioning of the Political Party

Paragraph 1

1.1 Based on the right to associate, Hungarian citizens may establish political parties, and may participate in the activities of political parties.

1.2 Persons not holding Hungarian citizenship, but holding permits to settle in Hungary may take part in political party activities; only Hungarian citizens may be members of the managing and representative organs of a political party.

1.3 The platform and activities of a political party shall not aim for the forceful acquisition of power, or for the exclusive possession of power which results in the discontinuation or the limitation of the functioning of other parties, and shall not incite [people] to disobey the Constitution and constitutional provisions of law.

Paragraph 2

Alternative "A"

2.1 At least 1,000 founding members are required for the establishment of a political party, shall establish its bylaws and program platform, and shall elect its managerial and representative organs. The program platform shall contain the chief political principles and goals of the party.

Alternative "B"

2.1 At least 500 founding members are required for the establishment of a political party, shall establish its bylaws and program platform, and shall elect its managerial and representative organs. The program platform shall contain the chief political principles and goals of the party.

Alternative "C"

2.1 At least 10 founding members are required for the establishment of a political party, shall establish its bylaws and program platform, and shall elect its managerial and representative organs. The program platform shall contain the chief political principles and goals of the party.

2.2 In the course of founding a political party the organizers may conduct a campaign to establish the organization, and for the framing and acceptance of a platform.

2.3 If the founding members meet the requirements of 2.1, the managing organ shall petition the Constitutional Court to register the party. The bylaws, the program platform and the minutes of the organizational meeting shall be attached to the petition for registration.

2.4 The Constitutional Court shall register a political party if the political party's bylaws and program platform comply with 1.3 and 2.1 of this law, as well as with 2.2 and 6 and 7 of Law No II of 1989 concerning the right to associate (hereinafter "Association Law"). The Constitutional Court shall act on petitions for registration within 60 days from date of receipt.

Alternative "A"

2.5 A political party may begin to function as a political party following registration. It becomes a legal entity as a result of registration.

Alternative "B"

2.5 Parties shall not establish and shall not operate organizations at the workplaces of government administrative bodies, the armed forces, armed bodies, organizations exercising police powers, courts and prosecutors' offices.

2.6 A political party may begin to function as a political party following registration. It becomes a legal entity as a result of registration.

Chapter 2. Constitutional Oversight of a Political Party

Paragraph 3

3.1 The Constitutional Court shall oversee the constitutionality and legality of the functioning of political parties.

3.2 The Constitutional Court shall conduct proceedings to investigate the constitutionality and legality of the functioning of a political party only at the initiative of the president of the republic, the supreme state prosecutor, a mediation committee composed of one delegate from each party represented in the National Assembly, (hereinafter interparty mediation committee) and further, exclusively in regard to the legality of the financial management of a political party, at the initiative of the president of the Supreme State Accounting Office (hereinafter: "LASZ").

3.3 The interparty mediation committee shall initiate proceedings if approved by at least a two-thirds majority of its members.

3.4 Depending on the outcome of the investigation, the Constitutional Court may:

(a) determine that the initiative to investigate lacks foundation, if it finds that no violation of laws took place;

(b) establish the fact that a violation of the law took place and obligate the political party to restore lawful conditions; or

(c) disband the political party, if the political party's functioning violates the provisions of 1.3 of this law, or 2.2 of the law concerning association.

3.5 At the initiative of the organs described in 3.2 the Constitutional Court shall declare the cessation of the political party if the political party ceases its activities and fails to dispose of its assets.

3.6 The Constitutional Court shall announce its acts of registration and determinations made under its oversight authority in the MAGYAR KOZLONY.

Chapter 3. Discontinuation of the Political Party

Paragraph 4

4.1 A political party shall cease to exist if it

(a) merges with another party;

(b) breaks up into two or more parties;

(c) disbands;

(d) is disbanded by the Constitutional Court; or if it

(e) is determined that the party has ceased to exist.

4.2 In the event that a political party ceases to exist pursuant to the provisions of 4.1(a) or 4.1(b), the foundation of a new political party or parties is subject to the provisions of [paragraph] 2.

Chapter 4. The Assets and Financial Management of a Political Party

Paragraph 5

5.1 The political party's assets shall be derived from membership dues, budgeted state subsidies, offerings and contributions received from legal entities, business organizations which are not legal entities and from natural persons, bequests by natural persons pursuant to their will, the political party's business activities as defined in [paragraph] 7, and from profits earned by an enterprise established by the political party.

5.2 No budgeted state organ may make offerings or contributions to a political party, and political parties may not accept offerings or contributions from such organs.

5.3 Political parties may not accept financial contributions from another state.

5.4 A political party in violation of the rule provided for in 5.2 or 5.3 shall pay the amount of support received to the state budget within 15 days from the date of notice received from LASZ. In case of delayed payment such funds shall be subject to collection in the same manner as public taxes are collected. In addition, the state budgetary support provided to the political party shall be reduced by the amount of support accepted.

5.5 In case of in kind support, the value of such support shall be determined by LASZ.

Paragraph 6

6.1 Political parties are entitled to receive state budgetary support.

6.2 Twenty-five percent of the amount of support earmarked in the state budget shall be distributed in equal parts to the parties represented in the National Assembly. The parties shall receive the remaining 75 percent of such funds based on the results of the National Assembly election, in proportion to the votes cast for the party and for the nominees of each party. In regard to parties which formed coalitions for the elections, the amount of budgetary support accorded to each party shall be based on an agreement between the parties.

6.3 If the conditions for budgetary support change as a result of a National Assembly election, the results of that election shall be taken into consideration for the first time on the first day of the quarter following the validation of the representative mandate.

6.4 The [annual] budget act shall determine the amount of subsidies to be allotted for use by political parties. Payment of subsidies shall take place quarterly and retroactively.

Paragraph 7

7.1 To help pay their expenses and increase their assets, political parties may engage in the following business activities:

(a) publish literature and sell buttons and objects which propagate and popularize the political goals and activities of the party;

(b) in lieu of a fee, [let others] make use of real and personal property as well as building space related to the party's functions, which is in the party's possession, use or under its management.

7.2 A political party shall not pay entrepreneurial profit taxes after [income earned] from business activities specified in 7.1.

7.3 A political party may establish an enterprise [Civil Code of Law 70.1] or a single person limited liability corporation; however, a political party shall not participate in any other business organization.

7.4 A political party may invest its funds in securities, except in stock.

Paragraph 8

8.1 If a political party ceases to exist pursuant to 4.1a or 4.1b, its assets shall become the property of the political party which becomes the legal successor to the party that

ceases to exist. In case of a party split, the ratio and method of distribution shall be determined by the highest organ of the political party.

Paragraph 9

9.1 If a political party ceases to exist pursuant to 4.1c, 4.1d or 4.1e, after satisfying creditors' demands its assets shall be transferred to a foundation whose purpose is to develop political culture.

9.2 The detailed purposes of the foundation, and the method by which the funds are to be used, as well as the support to be provided from the funds held by the foundation shall be determined and awarded by the interparty mediation committee.

9.3 If a political party ceases to exist pursuant to 4.1c, after satisfying creditors' demands and prior to the disbandment of the party, the party may itself establish the foundation referred to in 9.1.

Paragraph 10

10.1 Political parties shall publicize by 31 March of each year their previous year's financial statement in the MAGYAR HIRLAP and in one additional daily newspaper having national coverage, pursuant to the sample financial statement contained in the appendix to this law.

10.2 The financial statement shall show separately any single contribution exceeding 1 million forints by showing the contributor's name and the amount of the contribution.

10.3 General rules applicable to the financial management of social organizations shall apply to political parties.

Chapter 5. Control of the Financial Management of Political Parties

Paragraph 11

11.1 LASZ shall have authority to control the legality of the financial management of a political party.

11.2 At least once a year LASZ shall audit the financial management of political parties which in the subject year received state subsidies.

11.3 If LASZ discovers that a political party is managed in a manner contrary to law, it shall call upon the party to restore conditions of legality. In the case of substantial violation, or if the political party fails to comply with the call to restore conditions of legality, the president of LASZ shall initiate action through the Constitutional Court.

Chapter 6. Closing Provisions

Paragraph 12

12.1 This law takes effect on the date it is proclaimed.

12.2 Paragraph 6 of this law shall be enforced following the next election of National Assembly representatives. In the meantime, at the request of parties budgetary subsidies for political parties, shall be allocated by the National Assembly.

12.3 Until such time that LASZ is established, the authority delegated to LASZ by this law shall be exercised by a provisional committee established by the National Assembly. The provisional committee shall be composed of six National Assembly representatives and of five highly qualified accounting experts. Only a National Assembly representative may chair the provisional committee.

12.4 Political parties functioning at the time when this law takes effect shall petition the Constitutional Court for registration within 3 months from the effective date of this law. The provisions of 2.5 of this law do not apply to these parties.

12.5 Political parties conducting business activities in violation of 7.3 and 7.4 of this law, shall cease such business activities within 6 months from the effective date of this law.

13. 74A of Law Number IV of 1959 concerning the Civil Code of Law shall be amended by adding the following 4:

"(4) The establishment of a foundation may be mandated by law. In such instances there is no need to approve the validity of the founding charter."

Supplement to the Legislative Proposal Concerning Political Parties

Financial Statement of Political Parties.

A. Actual Revenues

1. Membership dues		Amount
2. State budgetary subsidies		Amount
a) basic amount		
b) amount proportionate to number of votes cast for party		
3. Other contributions		Amount
a) from legal entities		Amount
—contributions in excess of 1 million forints	Name	Amount
	Name	Amount
b) business organizations which do not qualify as legal entities		
—contributions in excess of 1 million forints	Name	Amount
	Name	Amount
	Name	Amount
c) private persons		
—contributions in excess of 1 million forints	Name	Amount
	Name	Amount
	Name	Amount
4. Business income		
a) propaganda revenues		Amount
b) rental income		Amount
c) securities income		Amount
5. Income derived from profits of enterprises established by the party	Enterprise	Amount
	Enterprise	Amount
	Enterprise	Amount
6. Other income (bequests, etc. per type of income)		Amount
Total revenues for the fiscal year		Amount

B. Actual Expenses

1. Distribution of contributions		
a) for the party's National Assembly delegation		Amount
b) for the party's local organizations		Amount
c) for institutions maintained or supported by the party		Amount
d) for other social organizations		Amount
e) for foreign institutions, organizations, persons		Amount

Supplement to the Legislative Proposal Concerning Political Parties

2. Personnel expenses	
a) salaries and wages	Amount
b) per diem, reimbursement for expenses	Amount
c) social security contributions	Amount
d) social, recreational etc. support	Amount
3. General expenses	
a) taxes, dues	Amount
b) building expenses, maintenance, utilities	Amount
c) building space rental	Amount
d) administrative expenses and postage	Amount
e) various other expenses	Amount
4. Media and campaign expenses	Amount
5. Expenses related to elections	Amount
6. Expenses related to other activities	Amount
 Total expenses for the fiscal year	 Amount
 C. Closing balance at the end of the fiscal year	
Fiscal year income	Amount
Fiscal year expense	Amount
Surplus (deficit) during the fiscal year	Amount
Surplus (deficit) carryover from previous fiscal year	Amount
Accumulated surplus (deficit) at the end of the fiscal year	Amount

**Article Castigates, Ridicules
Old Guard Communists**
*25000264 Budapest ELET ES IRODALOM
in Hungarian 28 April 89 p 14*

[Article by Ivan Bacher: "The Communist"]

[Excerpts] There was once a Communist. This Communist was not stupid. Throughout his life he realized that up to now everything in the social system called socialism sooner or later led to: a general condition of "there is none" and "it doesn't work"; a shortage of goods; relative or complete impoverishment; physical and intellectual waste; the partial or complete denial of thousands of years of human values; the curtailment of civil rights and freedoms; and a dictatorial and fascist practice of power.

Of course, he also knew clearly that despite everything, here and there things had been achieved. However, those same things had been achieved by the social system which his system had vowed to surpass.

The Communist—who served as an example of the cause, was a Hungarian teacher of Russian—also saw that the leaders of his party abused party democracy day in and day out, without qualms, and ignored the party's organizational statutes (actually they suspended them without even asking the membership). Nor did they ask the opinion of the party membership in deciding minor or for that matter major questions. With their cynical public statements, they gradually caused the public to lose its patience and to turn against the party.

With shock, the Communist was also forced to concede that the government supported by his party—being in a crisis situation—began to issue regulations one after another, regulations that a sound mind was unable to comprehend because they entailed no economic gain whatsoever but nevertheless generated incalculable political harm. This regime, self-confidently and with no qualms, makes children know hunger and the aged experience misery. In fact, some of its measures have direct impact on all citizens' lives. Despite all its promises this government has been incapable of taking even one single radical step to help to extricate the country from economic crisis.

The Communist, even though he saw and knew all this—in fact he had seen and known much more—did not quit the party. Nor did he join another one. In fact, this thought never even entered his mind.

Possibly this was because he had already gotten used to his party membership over the last 45 years and it had become part of him. Without even realizing it, he felt that he could not divorce himself from it any more. If he resigned, the better part of his life would be left behind. So let all of it stay. It was possible, too, that he felt that it was not right to abandon a sinking ship with friends on board. This, it is said, is what rats do. True, the rats are ardently attached to this ship. Yet it is not with them that his loyalty lies; yes, perhaps this is the word to use, loyalty. The Communist first and foremost remains loyal not to some sort of ideology, party or even cause, but to a living feeling of righteousness, though decried and besmirched many times. He is loyal to a living culture of

which today only ruins remain, to a youth shining in a hazy, confused past, and above all to those two old friends and one old girlfriend with whom he used to get together on Mondays.... [passage omitted]

The Communist tried to console himself by saying that the world is confusing. Almost nothing is certain except that when the bell rings he steps inside the classroom door. This is certain, this is important. This is the most important thing in the world.

Actually, this was the most important thing in the world—until the day that the Communist was made a daytime [less prestigious] teacher. At that time they eliminated Russian language teaching, saying that it harmed the national interest. And they added that this was reform.

Then the day school was eliminated, too, and they handed over the whole school to the Carthusian order. He discovered, too, was that this was reform. Then they retired the Communist, but they gave him a nice lampshade.

What remained was the basic district party organization—and the family!

Speaking of that, one fine day—many years earlier—the Communist became aware of the fact that he was unable to survive on his wages. His children began to go their own ways and his own parents aged rapidly. Grandpa did not cause a lot of trouble for he died quickly, but Grandma turned out to be quite a sturdy soul and began costing more and more money. His children came up with the idea that Grandma's big state-owned apartment should be exchanged for a smaller one, because they had to think about the future. The Communist said no to this. Grandma had lived in this rental apartment for 47 years, and her first husband had gone to the Ukraine from here, never to return. It was from here that Grandma's second husband had gone to the hospital, never to return either. Grandma's familiar neighbors were here, her furniture, her things. She knew every nook and cranny of the place, every smell. This was her whole life. "Anyway," added the Communist, "I don't want to become a homeowner."

His children simply dismissed him for this and said behind his back, "Dad is stupid. He's a stupid commy."

Then Grandma died and the son of the brother-in-law of the neighbor of the deputy chairman of the district council moved into the big apartment. The furniture was sold, and with the help of the money, they exchanged the Communist's apartment for two. One of the children had married well and thus already had an apartment. He also got a small part of the money. This way the Communist was still left with a small 1-and-1/2-room apartment. His children told him to get a boarder.

"I do not want to make money without working. I'd rather give tutoring lessons," said the Communist, growing a bit pale.

But then he did give private lessons, and added more and more students. This was because he taught well and the news quickly spread throughout the city. These lessons meant a great deal, especially since at the time he was on a pension and the Communist declared every penny of his income. Thus when the time came and his papers reached the tax office the bureaucrats hovered together in astonishment.

"Look, this guy is nuts! He must be some sort of commy, said one of the older gentlemen who had been hired as a pensioner and who had a wide range of experience."

Before his full retirement the children came up with the idea that the Communist go teach at a test preparation GMK [private economic work partnership]. One of his former students tried to persuade him to do it. The fellow also made it clear that he could earn at least five times as much in the GMK as he had at his previous job. But one had to be careful. The GMK consisted of only three people. One was not to talk about the other 40.

"I won't go," said the Communist.

"I am simply going to remain a person committed to the state."

"But Dad," said his children, very upset. "This state, this state of yours laughs at you and makes fun of you every day."

"I'm sorry," said the Communist to this. And he really was sorry.

Then—and this was during peaceful retirement—the Communist's telephone rang. "Hello? Do you remember, you derelict, what you wrote on my class paper? You wrote, you piece of trash, that I was a nationalist because I wrote about that bloody alcoholic that...do you remember what I wrote and what I said about him? You rotten commy, your time is up. You have been no good during the last 40 years, trampling this valuable nation into the dust!"

"I'm sorry," said the Communist and hung up the receiver.

A few months later, his small grandchild came to visit and asked, "Tell me Papa, are you really a Communist?"

"I really am," responded the Communist.

"Aha! Then it was you who destroyed flourishing countries. You enslaved nationalities. You extinguished the lives of millions and millions of people. Because of you there was Chernobyl, Pochperi, Kolima, the Corvinus Circle, Lyublyanka, Lorant Street, Eritrea, Recsk,

Andrassy Street, Katyn, People's Republic Square, Beijing, Phnom Penh, Jamburg, Kosovo, Prague, Remete Garden, Gdansk, Bos-Nagymaros, Sumgait, Brasso and all the others. And it is because of you that there are no Muslims in Bulgaria, Indians in Nicaragua, Hungarians in Transylvania, Abkhazians in Georgia, Germans in Poland, Romanians in Moldavia, and so on. And because of you they are starving, freezing, and terrorized in Romania. Because of you, Yugoslavia is disintegrating into atoms. It is because of you that the East Germans are landbound. It is because of you that the Poles have to stand in line their whole lives. It is because of you that even cabbage is not to be found in Moscow. It is because of you that the Czechs have become a Balkan people, and the others!

"Well, dear Papa, you are a comrade of mass murderers, a friend of animals. You murderous executioner, I despise you like a rat! And I never, ever want to see you again, dear Papa," said his granddaughter, and she left.

And indeed after this the Communist did not meet his granddaughter for a long time. Then one day, the Communist's son said, "Hey, Papa! How shall I say...here is this nice little apartment. Laszlo still...uh...well...um... Well, why should it belong to the council?" "Of course," said the Communist, who then got to see his grandchild every Monday. She came at 6 in the evening, making a lot of noise outside before she rang. She always took down the garbage and stopped to chat with neighbor Louise next door. Then she watched TV and left about 11, but she came again the next Monday.

However, she did not have to come for much longer. On a fine summer evening when the Communist was taking his usual walk around the housing block, three young men knocked out seven of his teeth, broke his jaw and his hip bone and took his 170 forints. His children had told him in vain that public safety was getting worse, but still not as bad as in New York. On the 4th day in the hospital, however, they stole the Communist's wallet which, contained the only remaining picture of his little girl who had died when she was 4 years old. The nurse told him that indeed there was theft around there and it was a good thing that it only contained 1000 forints.

That night, the Communist needed extreme discipline to avoid falling asleep and to stay awake until all became quiet so that he could carefully pull the tubes out of his nose and his arms.

You see, the Communist was a disciplined person.

And he did not cause anybody any more problems after that.

'Leftwing Alternative' Demands MSZMP Divestiture of Property

25000239a Budapest FIGYELO in Hungarian
13 Apr 89 p 7

[Unattributed report: "'Leftwing Alternative' Economic Policy Committee Position on Multiparty System"]

[Text] It is an accomplished fact that Hungary has embarked on the path of a multiparty system, the traditional form of the country's political pluralism. This solution may represent the beginning of liquidating political bureaucracy and establishing self-government by the population. But it also may mean that the country will be forced to support more bureaucrats. The multiparty system may be a preparatory and transitional period to a system in which the workers' social subjugation and dependence continues to increase, despite increased political freedom. Whether the multiparty system will be advantageous to a majority of the population or only to the old and the new bureaucracy and to the beneficiaries of this change, depends on whether the goods produced are disposed of by the workers or by economic and political bureaucrats.

A party may be regarded as democratic only if it sustains itself, in other words: if it does not have to be sustained by society. A party may be called truly democratic only if it does not want its share of the state budget, but instead pays all of its expenses from membership dues and from publicly controllable contributions received from private persons. In other words: a party is truly democratic only if it adjusts its expenses fully to the voluntary citizen contributions it receives. If a party needs any kind of state, institutional, or other outside support, or if it accepts any support of this kind, it is no longer democratic. It is interested in the perpetuation of bureaucracy, and fundamentally, the party itself is bureaucratic.

We are taking a position advocating that the introduction of the multiparty system should not result in the evolution of new party bureaucracies, but instead should be accompanied by the discontinuation of existing party bureaucracies. The multiparty system should not represent additional burdens to workers, it should lead to the radical reduction of state withdrawals instead! The evolution and continued sustenance of a caste of professional party bureaucrats can be stopped only if all parties are supported exclusively by their respective memberships and supporting members.

Our view of urging the self-sustaining organization of parties applies also to the past. Accordingly, we find it necessary that real estate (headquarters, luxury resorts, educational centers, etc.) owned by the MSZMP [Hungarian Socialist Worker's Party] should be continuously changed into social property. The population would gain no advantage at all if party assets were to be distributed among the several parties. Buildings used thus far for party purposes—in every possible instance—should be changed into residential buildings and should be owned

by local councils, and should be used according to the needs of the population (given primarily to those with large families and to young couples). Party real estate which cannot be changed into residential buildings should be converted to use for health care, educational, cultural, and other social purposes.

Social Democratic Standpoint on Electoral Law
25000216e Budapest *MAGYAR NEMZET* in
Hungarian 22 Mar 89 p 3

[Text of statement issued by the Council of the Union of Free Democrats: "Provisions of the Electoral Law That Violate Civil Rights Must Be Rescinded"]

[Text] Pursuant to Law No III of 1983 now in force, a by-election must be held to fill the seat vacated by Antal Apró, the former deputy from Szeged, and it must be held within 60 days from the day of his resignation. Several political organizations are planning to run candidates in this by-election. Especially intolerable under these conditions is the provision of the Electoral Law's Section 43, Paragraph 3, which requires candidates to support the PPF program and to confirm their acceptance of it in writing. To anyone who takes seriously the requirement of a state under the rule of law, it is intolerable that a law should extort from an individual a pledge of allegiance to the political status quo, or to some organization and its platform. We might mention that the PPF is just now working on its new program, and it obviously would not be advisable to force deputies of the National Assembly to change their one-time standpoints on this basis. We therefore demand that this provision of the Electoral Law, which violates civil rights, be rescinded immediately.

We are pleased to note that, upon learning of their constituents' will, several deputies of the National Assembly have resigned to avoid their recall. At the same time, the recent spate of by-elections has called attention to the intolerable nature of the system of alternate deputies. This institution gives a loser in the election a seat in the National Assembly as a consolation prize. The National Assembly is gradually becoming a parliament of losers. And this is incompatible with the spirit of pluralism. Vacant seats ought to be filled always through by-elections.

Number of Workers on Unemployment Growing
25000216a Budapest *HETI VILAGGAZDASAG*
in Hungarian 8 Apr 89 p 7

[Text] It was revealed at the press conference the State Office of Wages and Labor (ABMH) held last week that the number of workers on unemployment benefits is rising rapidly: from 1,500 at the end of February, to between 3,000 and 5,000 by the end of March, according to preliminary estimates. It was also announced that many new labor regulations would be promulgated in the near future. Following the introduction of business loans for persons starting their business career (HVG 1 Apr 89),

a system of so-called traineeships will be introduced, probably as of 1 June, for recent university or college graduates majoring in subjects for which jobs have been hard to find in recent years (archeology or museology, for instance). If jobs cannot be found for such graduates, the employment offices will invite potential employers to hire the graduates for traineeships, with the understanding that the ABMH will bear all the costs for the duration of the traineeship. (The 6-month traineeship may be extended twice, but the maximum duration of a traineeship is 18 months.) Changes can be expected also in the rules governing early retirement, it was announced at the press conference. In some cases—for instance, when at least 500 workers are taking early retirement from a loss-making enterprise—the ABMH will bear half the cost of retiring the workers. A decree will soon be promulgated according to which the time spent studying at higher educational institutions will count as employment. (This will be of importance, for instance, in determining to how much additional annual leave an employee is entitled. Up to now the years spent studying at a higher educational institution counted only toward the length of service on which eligibility for pensions is based.) It was also announced at the press conference that a decree was being prepared that would authorize the enterprises themselves to decide whether to introduce a 40-hour workweek. The practice of sending young workers to the GDR as guest workers will probably be renewed. According to the ABMH, several thousand Hungarian workers will be able to find work in the GDR from 1990 on.

The ABMH will be using \$2.9 million of the World Bank's so-called third industry-restructuring loan to cover the costs in conjunction with the handling of unemployment. For example, to devise a system of unemployment insurance, and to set up a model occupational-retraining center in northern Hungary.

Szentendre's Coat of Arms
25000216c Budapest *MAGYAR NEMZET*
in Hungarian 21 Mar 89 p 8

[Text] The alternative organizations and churches in Szentendre have launched a movement for the restoration of the settlement's ancient coat of arms. About 1,500 signatures have been collected. The initiative also has the municipal council's support.

POLAND

Gwiazda Outlines Views at University of Warsaw
26000424 Warsaw *ODRODZENIE* in Polish
No 11, 18 Mar 89 pp 5, 7

[Article by Tomasz Lis: "Does Gwiazda Have a Program?"]

[Text] Andrzej Gwiazda is following Lech Walesa like a shadow in his travels around the country. On Friday, 10 March, Gwiazda spoke at the University of Warsaw, as

Walesa had several days earlier. This time there were no invitations. Special security forces were also unnecessary, though it must be admitted that so many people came to the hall of the Adam Mickiewicz Auditorium Maximum, that every professor at the university would have liked to have seen as many students at his lectures.

There was none of the enthusiasm which accompanied Walesa's visit. There were no ovations, and no student cap on the guest's head. In greeting, Gwiazda gave only a ritual rabbit sign ["V" sign], and there was polite applause for the new arrival from Gdansk.

Several days later, when Walesa was asked about his local rival, he said, "Andrzej is a great guy, and I like him very much. Only he is not fighting the same enemy. He has confused his direction. It happens."

Besides several dozen staunch Gwiazda supporters, most people came to the meeting to find out about this program against which Gwiazda is fighting.

For several weeks there has been much talk in Poland about the roundtable. During the meeting at the university this was also the most frequently recurring theme. Even Gwiazda's general comments usually referred to that which was happening several hundred meters from the university in the Council of Ministers' Palace.

"It is dangerous," he said, "when a group representing the people or appearing to represent the people, and which in their name commits itself to concessions, does not tell the people how much it will concede and what it hopes to gain by it. This is bargaining in the name of the people but without informing them for what or for how much. Yet such a group, such an elite, can pay only with its own good name, about which no one particularly cares. The public's interests are the real payment. No one explained what kind of gains would be made at the roundtable and what they will cost. For the present we already have a clear answer. In order to register a new union which will have the right to call itself Solidarity, we have to agree to elections from one list. Is this a favorable agreement?" he asked.

Later, the guest conducted a penetrating semantic analysis of the words positive, constructive, and pluralism. Outside of the creation of the world it would be difficult to find another positive program.

A constructive program means "giving the PZPR free lessons" on how to implement the interests of the world communist system in Poland. "If advising the PZPR is a constructive program, then all others are destructive," he explained. In turn, pluralism means joint control by the elites (if one uses a word of Latin origin) or by cabals (if we use a word of Hebrew origin).

Gwiazda expressed his opinion briefly on the subject of the upcoming Sejm. If 65 percent of the members of the Sejm are [party] functionaries and 35 percent are members of the opposition, then one can have no illusions about what kind of Sejm this will be. Now among this 35 percent, 2 percent will be functionaries, that is, this will be a Sejm having at its command a majority of two-thirds of the people who do not have to pretend anything.

When asked what he himself and his group are proposing, he returned to the roundtable discussions. There are two procedures for political discussions, rectangular-table and round-table discussions. At the former, interests are clearly divided. At a round table, there are no sides. "The table has no angles, but the procedure makes innumerable angles possible," he said.

When someone rigidly demanded that Gwiazda present his own program, the latter appeared not to understand the impatience. "That which I said was explained for the first time in Poland. I know it from practice, for they wanted to mix us up in the roundtable, too. On the other hand, I have never read about this anywhere; most probably, it is clearly explained in some political textbook," said Gwiazda, provoking amusement in the hall.

Speaking on a possible meeting of Solidarity he asserted that the people elected in 1980 have been tested. The least proven are those who will be elected now. Two or three months ago the elections would have appointed people who would have taken the risk of agreeing to enter the government. It is recommended that one refrain from choices until the time of registration when "every scoundrel will think that this is a good opportunity for a career."

The guest did not yield to inducement to present his own, clearly defined program. When asked about the public cost of implementing his own conception he answered that renouncing independence is treason. The group of supporters greeted this answer with loud applause. We are doomed to moral battles, for we did not have and will not have arms. This demands a suitable level of individual dignity and repudiation of the servile mentality [meaning] that "if you can't beat them, then you must negotiate with them."

Gwiazda sees no opportunity for the public to have an effect on the course of negotiations at the roundtable. The roundtable is set up so that there is no such effect. If the "table" brought clearly bad results, this would be a public victory. If the results were very good, this would be a public evil.

"Are you aware that dissent in the opposition can lead to its self-destruction?" "Of course. It is criminal activity if several dozen people, not asking anyone for an opinion, undertake destructive work and go talk with the reds."

Several dozen people rewarded this statement with thunderous applause and shrieks of enthusiasm. The remaining 300-350 individuals took it indifferently, or by shrugging their shoulders.

When all had already stood up from their seats, someone made a desperate attempt one more time to induce Gwiazda to present his own program. The mystery was not explained. "The program must be accepted by the public. Sometimes before it appears, it takes years to prepare people to accept it. Submitting certain proposals ahead of time is not effective," he explained.

POLITYKA Weekly News Roundup
26000465 Warsaw *POLITYKA* in Polish
No 16, 22 Apr 89 p 2

[Excerpts]

National News

The Council of State has ordered elections to the Sejm and Senate and set the date for Sunday, 4 June 1989 (where candidates do not receive the required number of votes a second round will be held 18 June 1989). The Council of State determined that 35 deputies will be chosen from the national list, and 425 deputies will be elected in the 108 election districts. The State Election Commission has been formed; its chairman is Prof Alfons Klaskowski, chairman of the Constitution Tribunal, and its secretary is Jerzy Bretkopf, head of the Chancellory of the Council of State. [passage omitted]

The 12th plenum of the PZPR Central Committee met and adopted materials and documents for the PZPR National Council of Delegates, which is to be held 4-5 May 1989. It also discussed the preparations of the party for the elections.

The Organization of Agricultural Circles held its ninth congress. Resolutions defining the formal structure of the union were adopted. It is to be a socio-occupational organization with the obligations of a trade union. New officers were elected. Janusz Maksymiuk (age 42), a farmer from Paczkow (Wroclaw Voivodship) and engineer, who farms 36 hectares, member of the PZPR, was elected chairman of the Main Council. His opponent in the final phase of the elections was the outgoing chairman of the Council, Norbert Aleksiewicz. The Council named the Board; Zdzislaw Zambrzycki is again president. Krzysztof Komornicki, a farmer from Walbrzych Voivodship (head of the ZDANIE discussion club and a contributor to *POLITYKA*), is chairman of the Revision Commission. Deputy Premier Kazimierz Olesiak, who participated in the meeting, announced that beginning 17 April 1989 free-market prices for purchases with minimal prices for basic agricultural products, guaranteed by the state, will be introduced. The level of the prices is to ensure parity of agricultural incomes with

nonagricultural incomes at a 100 to 100 percent rate and the profitability of production under average conditions. The increase will average 34 percent.

When this issue went to press, the SD Congress was still in session. There were 780 delegates representing 140,000 SD members. [passage omitted]

The Executive of the Warsaw PZPR Committee called for the creation of a party election fund. Among the forms for collecting funds for this goal, are a production volunteer action, doing contract work, providing individual and group services, etc., for pay.

The Declaration of the Primate's Social Council speaks of the coming elections: "The elections should show that a Catholic society wants representatives in the Sejm and Senate who shape social life on the basis of Christian values, who act to protect life, the dignity of the person and human rights, for whom participation in public life is service for the common good. Those who are prepared for such service cannot refuse to undertake it."

A meeting between Wojciech Jaruzelski and Primate Jozef Glemp was held in Warsaw. They emphasized that agreement at the roundtable creates the "foundation for consensus and national reconciliation." The primate, asked by a television journalist, whether clerics would participate in the upcoming elections on a broader front than before, responded: "I cannot foresee what will happen. I think that generally an emergence from passivity is occurring. Thus, passivity is yielding to involvement by social groups in shaping our political and social life. Thus, I also think that the upcoming elections will be socially acceptable."

Prof Szczepan Pieniazek in *PERSPEKTYWY* writes of the achievements of the Polish fruit growing industry: "To be sure, great progress has been made. Before the war, we produced 404,000 tons of fruit, at present 2.5 million tons. We have overcome the alternation of fruit bearing (annual harvests), introducing a 'system of regulated generation.' A real revolution in soil treatment in orchards has occurred (the use of grass). We are first in the world in the production of currants, second in strawberries and raspberries (first per capita), 7-8 in apples. We are a berry power; we export more than half for convertible currency. We supply the socialist countries, including the USSR, with apples." [passage omitted]

Lech Walesa at a press conference in Gdansk: "Today things are different from 1980. Then emotions were high, and they have fallen over time. Now there is no emotion, but there is much mistrust. That is better, for people will involve themselves in what is actually good and right. Solidarity always will be in opposition to bad measures, mistakes. We will fight, but maximally spare the economic tissue of the country."

Warsaw customs agents stopped an attempt to smuggle out art works valued at more than 30 million zloty, counting only the value of gold. [passage omitted]

Who's Who News. Irena Gabor-Jaczak (age 53), a philologist by training, since 1957 employed in the ministry of foreign affairs, recently deputy director for press and information, a PZPR member, has been named ambassador of the People's Republic of Poland to Mexico. Wladyslaw Gwiazda (age 54), economist, a long-time employee in foreign trade, recently (until October 1988) minister of foreign economic cooperation, a PZPR member, has been named ambassador of the People's Republic of Poland to Holland. Edwin Gornicki (age 35), journalist, engineer-economist, previously deputy editor in chief, has replaced Andrzej Nalecz-Jawecki as editor in chief of the weekly VETO. [passage omitted]

NSZZ Solidarity by a decision of the Warsaw Voivodship Court has been entered into the register of trade unions. It can organize workers in one or many plants, types of employment, or branches of work or occupations. [passage omitted]

The Kuznica Association honored Prof Janusz Reykowski, with its Anvil Award for shaping the intellectual and political attitudes of Poles' national reconciliation in the difficult years of the 1980's, for developing cultural dialogue and cooperation in conditions of conflict, and for his outstanding participation in building the new shape of socialism and defending its values. The Association adopted a resolution on the nomination of its president Prof Hieronim Kubiak to run for a seat as a deputy in the 10th Sejm and began collecting signatures supporting his candidacy. [passage omitted]

On the Left

The USSR minister of finance: "The budget deficit for 1989 will total about 100 billion rubles; in recent years, the USSR has lost about 40 billion rubles due to the decline in oil prices on world markets; 18 billion has had to be additionally allotted for medical care and social services for the people; the tragedy in Chernobyl cost about 8 billion rubles; significant resources must also be earmarked to erase the effects of the earthquake in Armenia."

A letter from a PRAVDA reader: "It is high time for us to revise the entire system of economic relations between our country and the other socialist countries. Soviet raw materials are sold to these countries at reduced prices, and the finished products the USSR imports are purchased for elevated prices. Further, these products frequently do not meet the standards of today's world markets and are not worth the money Soviet consumers pay for them. . . . The price system, which was developed during the years of stagnation, of coddling and kissing leaders, has put our country in an unequal situation. . . ." [passage omitted]

"MTI, the Hungarian Press Agency, no longer receives instructions over the telephone," said the new director general. "Now the press spokesmen of various organizations and enterprises call more frequently trying in advance to draw MTI's attention to their undertakings."

The Czechoslovak State Bank revealed that in 1988 there was \$120 million in private convertible-currency accounts. Of this sum, \$56 million was withdrawn for trips to the West. In 1988, 180,000 individuals asked for convertible-currency certificates; in 1989, 390,000 have. Individual trips abroad to socialist countries are in principle, as regards finances, unlimited. It is possible to purchase 500-1,000 KCs of the currency of the country being visited per day; for trips to Poland, it is necessary to purchase at least 1,600 KCs per day. Limitations apply only to trips to Hungary as a result of the CSSR's unfavorable trade balance. [passage omitted]

"Can we be neutral?" V. Kopper, director of a department in the Hungarian Foreign Ministry, responded to the question publicly (the newspaper NEPSZAVA): "It is not a question for unilateral declarations; such a step would threaten the balance of forces in Europe and would question the status quo at a time when dissolution of the opposing military and political organizations has not been achieved."

The Soviet press published the proposal "On the General Principles for Transforming the Management of the Economy and the Social Sphere in the Union Republics by Expanding their Sovereign Rights, Self-Management, and Self-Financing." The document forms the basis for national discussion of reform and the optimization of the structures for managing the economy in the USSR. It clearly separates the rights and responsibilities of the center and the republics. After the end of the discussion of the proposal, a legal act will be developed. [passage omitted]

One of the alternative organizations in Hungary has formed its own security service to protect its demonstrations, parades, and conferences. Strong young people wear special bands on their sleeves, and their task is to protect against attempts to violate order by competing alternative organizations.

Opinions

Prof Dr Czeslaw Madajczyk, historian:

(A fragment of the book titled "The Katyn Drama" published in THE WARSAW VOICE 9 April 1989)

"Both the circumstantial evidence and the indirect evidence point to the responsibility of the NKVD and its superiors for the fate of the Polish prisoners of war from Kozielsk and their death. Both the facts showing the spring date for the commission of the crime, the known end point of the shipment of the internees by train (Gniazdowo), the personal documents, as well as the fact

that not one of the several thousand internees in Kozielsk, Starobielsk, and Ostaszkow survived—all point to their responsibility. Comments by Beria and Merkulov to several higher Polish officers also point to this responsibility. The conscious disinformation of the Polish authorities about the fate of the missing officers is also not without significance. The report of the Soviet Special Commission, which studied the case without participation by Polish or other representatives, also awakens no trust. But the formation of an allied medical commission to study the crime in Katyn committed against Poles should be morally obligatory; individuals from the Union of Polish Patriots at the very least should be on the commission."

Wieslaw Gwizdz, president of the Polish Catholic Social Union:

(Interviewed by Piotr Andrzejewski and Krzysztof Golata, WPROST 16 April 1989)

[WPROST] For a number of years you could exert influence on the most important state decisions, even if just through the Commission for Cooperation.

[Gwizdz] I must disappoint you. Decisions, at least to this time, have never been made by this Commission. They were agreed upon in the offices of the Politburo to which the leadership of the allied parties was invited. In the Commission itself, however, we were presented only interpretations of some facts, politely told why there had been a decision to do this or that, and acceptance or at least the taking of a position, the expression of an opinion, was expected.

Prof Dr Bronislaw Lagowski, philosopher at the Jagiellonian University:

(In a discussion at the editorial offices of ZDANIE No 2, 1989)

"Everyone here agrees that the party must change, and we say that it is already changing. But in my opinion, it is changing in the wrong way. Instead of becoming a political party in the national interest and reason of state, the PZPR is attempting to renew itself as a party of

social demagoguery. And it is proud of this. . . . To desire ideological combativeness from the party, the ability to stand up in political discussion and simultaneously to demand faith in Marxism is to exact mutually exclusive things. How can I win in a debate with a political opponent if I must be dressed in a sack from Marxism and his thought has freedom of movement? I would rather demand Marxist views from my opponents. Then we should see who would have the better of things in discussion. The result of the party denying itself freedom of thought and speech is that even in party resolutions it operates with a language artificially combined from a traditional dead language and the new jargon of the opposition." [passage omitted]

From a letter by union members to the OPZZ Council:

(as printed in DZIENNIK POLSKI 8-9 April 1989)

"The independent trade union of the employees of the Tarnow Voivodship Transportation Enterprise thinks it is essential again to speak out on the position of the OPZZ presented during the roundtable and after its conclusion. The principle of negation adopted during the deliberations, the incomprehensible resistance at their end, did not increase the prestige of the union; quite the contrary, it placed the sense and purpose of such action in question. We are one of the many union organizations on whose support our colleague Miodowicz has called during his speeches in recent times. We did not support such a position and we do not support it. The roundtable started great changes, and how they turn out in the end depends only on the wisdom of all the forces. The wisdom on which we were counting, on the part of the OPZZ, was not evident. . . . We direct our words of recognition to those participants in the deliberations who proposed concrete, realistic solutions. We do not want to identify ourselves with any political party as the comments of the OPZZ suggest. We think that we have full rights to have genuinely independent unions and not just "at the bottom"; in our enterprise, the name of the union supports and is supporting the tone of the actions. . . . Our union in view of the camouflaged posing of action sees no place for itself in the structures of the OPZZ. Therefore, seeing no hope for change, we are resigning from our association with you and with your structures."

INTRABLOC

Soviet, Polish Economists on Negative Effects of CEMA 'Tariff War'

26000456 Warsaw *POLITYKA (EKSPORT IMPORT supplement)* in Polish 18 Mar 89 p 19

[Report on statements by economists Ninel Bautina and Urszula Wojciechowska: "Behind Closed Borders: Soviet and Polish Economists Discuss the 'Tariff War in CEMA'"]

[Text] Urszula Wojciechowska [U.W.]: It was hard to foresee that the process of erecting tariff barriers between "sister countries" begun by Czechoslovakia would find such eager imitators and would rapidly take over the entire socialist community. True, there are differences in the policy of tariff limitation in the various countries: the list of goods covered by export bans is longer in some countries and shorter in others. The level of tariff duties and the behavior of border service personnel also varies. It must be emphasized that Poland, probably uniquely, did not introduce an unconditional export ban on specific goods, but limited herself to increasing tariff duties. Despite these differences, the ever-growing phenomenon of countries shutting themselves in contradicts both the trends occurring in the West and official CEMA declarations.

I do not agree with those who find the return to realities in the "socialist tariff war" prohibitive due to a conflict of interests. The move to set up tariff restrictions proves the economic weakness of socialist economies, the instability of their domestic markets and the lack of skill in adapting and finding intelligent compromises. Thus, the tariff war shows weakness and disintegration. That is why, in my opinion, it is detrimental to the interests of socialist countries in their relations with the West. The malicious comments made on this topic in the Western press neither surprise nor provoke me (as they did R. Drecki, in a TRYBUNA LUDU article, 16 January 1989). Equally negative opinions on the subject of the tariff war "within the socialist family" were expressed in several discussions conducted before Soviet television cameras by academician O. Bogomolov.

Ninel Bautina [N.B.]: Actually, I am less concerned about the Western reaction than about the domestic consequences of the tariff barriers just introduced. These divide the societies of the socialist countries and they lead to mutual grudges and growing ill will. Crossing the border is becoming an unpleasant, degrading experience for decent people, and they form the majority of the traveling public. It is becoming contraband to bring in children's tights, shoes or a curling iron. The reasons given to justify the use of such drastic measures are the protection of the home market against the export of needed items and the battle against speculation. These two threats are growing as a result of the tremendous growth of tourism. It was to be expected that the policy of opening the borders would have such consequences—

a less intense form of this phenomenon has been in evidence for decades. Why, then, has a joint economic policy for counteracting these processes not been agreed upon? Why is each country setting up its own administrative policy of restrictions without consulting its partners, in conflict with the formally approved integration processes? It is another case of CEMA's being an organization that is not keeping pace with the economic life of the countries it is supposed to unite.

The introduction of export limitations by the governments of the socialist countries is a demonstration of the protection of national interests. I call it a demonstration because the ruin of the national markets by foreign tourists is not as dramatic as it was expected to be when the barriers were set up to prevent it. For all the countries that are exporting goods, there are also countries importing these goods, and they are certainly not in the West. Thus, the tourist movement causes the multilateral exchange of goods—private export and import. Without a proper analysis it is impossible to determine whether this private foreign trade improves or worsens domestic markets, whether there are countries whose trade balance drops and countries whose trade balance improves. In this sphere of the flourishing of the "economy in the shadows," mafias crop up and private fortunes are created. However, administrative tariff barriers primarily hit the ordinary tourist, while mafia contraband knows how to deal with them.

U.W.: It is hard to believe that the tariff war was announced in the name of social justice and it was directed against speculators. Tariff restrictions affect only those speculators who export goods from a given country, but not those who import them. The latter are even viewed favorably, with special stores being opened for them where "presents" are procured from foreign tourists. This happens not only in Poland, but I learned from a television program that such a store opened recently in Leningrad. I do not criticize such actions at all, since it is better for official trade, which pays taxes, to make money, than for types that hang around at the Belorus Train Station when the trains come in from Poland to make it. But where is the logic in the new tariff regulations? I do admit, however, that I do not believe that if the socialist countries began today to decide what to do with contraband, they would come up with good economic instruments. The matter is a considerably graver one, and the causes lie deep in the method of managing the economy and conducting trade.

N.B.: In my opinion, we are already able to do a great deal right now. First of all, we can make the currency exchange rates realistic. At a realistic rate of exchange, the so-called private export of goods cannot become speculation, or what's more, it cannot violate market stability. Why not, for example, create stock companies that service bilateral tourism modeled after the "catalog-marketing" companies in the West? Then a person planning to take a trip could use the appropriate catalogs to quietly purchase the items in which he is interested.

Such a system would bring in added profits to tourism organizations, while the tourist himself would derive more from his trip instead of running from morning until night from store to store. Perhaps it would be necessary to consider creating tourism zones that have their own trade principles and separate "quotas" on items purchased. Perhaps it would be necessary to circulate a sort of tourist money. In a word, economic, not administrative methods must be used, at all levels—including tourism enterprises, intergovernmental agreements and the CEMA forum, which would like to see its work assuming greater importance in social policy. Administrative tariff restrictions not only mean a policy of social isolation, but also closing markets to foreign competition and strengthening the producer monopoly. I suspect that under the pressure of such monopolistic interests, this new situation, favorable to them, would arise.

U.W.: Unless the policy on the domestic markets changes, little can be done through economic measures. Our markets are completely ill-adapted to the broad tourism movement and the opening of borders. Tourism in the socialist country is the enemy of the people who purchase what is cheap and subsidized, what is imported and needed. This emanates from the autarchic and voluntaristic market policy in our countries conducted as if foreigners would never come here in great numbers (and this was the case for a long time). The central, i.e., better bureaucratic apparatus has created a voluntaristic price structure in the given country (i.e., what is supposed to be cheap and subsidized and what is supposed to be expensive and stiffly taxed), a production structure and a consumer imports structure. Given such differences in the structure of prices and consumer goods, the natural reaction of people is to try to use these differences to their advantage through private exchange. The governments are trying to prevent them from doing this, without success.

Where does the citizen of one socialist country get the monies of another country to make purchases there? There are three possible sources: he legally purchases foreign currency at the bank in exchange for his national currency and illegally trades currency and goods. Illegal trade is present when the legal exchange of currency is insufficient and/or less profitable than illegal trade. And under our circumstances, illegal trade is always profitable, since the purpose of the legal exchange of currency is in conflict with the natural interests of people. Thus, governments are trying to use a system of currency exchange that protects their markets. Let us take, for example, the currency exchange between Poland and Czechoslovakia: Poles buy korunas at the bank for 50 zlotys, which means that goods in Czechoslovakia are expensive for them. However, if the Czechs were also to receive 50 zlotys at their bank for a korona, this would be very cheap for them in Poland. Thus, Czech citizens buy zlotys at the so-called basic rate at their bank (at the rate, let us say, of 20 zlotys per korona), while the Poles purchase korunas at the so-called rate with a surcharge.

In this way, it is supposed to be expensive and unprofitable for both sides. However, since even this dual rate does not ensure the total unprofitability of the exchange—since there is always that small group of items that withstands even these inflated rates—an additional instrument is used. These are the annually determined quotas of exchange of national currencies for the purposes of servicing the tourism movement. This delicate barrier structure, however, is not accepted by the enterprising citizens of both countries who see that they can replace bank exchange by direct exchange to mutual advantage. And so the illegal currency trade arises at the rate of 40 zlotys per koruna, let us say. This reduces the koruna rate for Poles by comparison with the official rate and it raises it for Czechs. What is to be done in such a situation? Fortunately, no one yet has hit upon the notion of stripping millions of tourists at the border to search for smuggled currency. It is simpler to dump out suitcases! An alternative to the tariff war is to legalize the rate of 40 zlotys per koruna, the introduction of unrestricted convertibility and permission for the free exchange of goods.

N.B.: Basically, the Soviet Union conducted this sort of policy for years. It used neither restrictions on the currency exchange nor tariff limitations. The fact that we could exchange so many rubles for other currencies greatly provoked the citizens of other socialist countries. Meanwhile, the limitations on exchange for the tourists of other countries were the result of the policy of their governments, for the Soviet Union did not use limits on the exchange of other socialist currencies for rubles for tourism purposes. However, this free currency exchange for tourists arose at a time when we had a positive trade balance and when very few of our citizens went abroad. Today both of these factors have changed and surely it would be better to restrict the exchange of currencies for our tourists if this would enable us to stave off an avalanche of tariff restrictions.

I agree that it is not easy to arrive at a joint policy in the area we are discussing—it is not easy but it is essential. The socialist countries must answer the question whether they really favor the mutual opening of borders. And it would be highly "unpolitical" to open the borders to the West while keeping them closed to each other. The insignificant number of tourists has not endangered the autarchic policy of domestic markets. The opening of borders is in striking contradiction to such a policy, while the "tariff war" only appears to be a "clever" way of bailing out of this situation, when in fact it really is the negation of the aim of opening the borders. Thus, we must abandon the tariff war and embark upon the considerably more difficult process of adapting domestic markets to the open borders policy.

U.W.: Here is a specific program:

First, while export restrictions cannot be totally eliminated, they can be reduced considerably. They can be used in the truly indispensable area and in relation to

goods that are readily controllable (I find this area to be an important one). By this I mean those goods that are easy to see without humiliating checking procedures.

Second, the scope and forms of the mutual exchange of goods and values, today a field in which speculative mafias are at work, should be legalized; it is better for legal firms and organizations (which does not necessarily mean state firms and organizations) to be given the opportunity to make money.

Third (the most difficult area), domestic markets should be adjusted to a policy of openness, including the initiation of a process of eliminating subsidies for many items. Moreover, the moves outlined in the first two points will compel the mutual adaptation of our markets. This is an economic gain from the open border policy.

At the same time, it seems unlikely to me that such a strategy will be worked out in the CEMA forum. However, bilateral and trilateral alliances are more realistic. But we must begin to do this today.

HUNGARY

Enterprise Reorganization Triggers Strike

Legality Questioned

25000235 Budapest NEPSZAVA in Hungarian
18 Apr 89 p 5

[MTI Report: "Renewed Strike in Gyomaendrod"]

[Text] (MTI)—All 170 workers went on strike beginning on Monday [17 Apr] from 0600 until 1530 at Gyomaendrod Plant No 2 of the Furnace Manufacturing and Machine Industry Enterprise headquartered in Bekescsaba. With this action the collective expressed its desire that beginning on 1 July 1989 the factory unit should continue to operate as an independent enterprise. They do not want this to happen at Koros Plant No 1 in Bekescsaba; thus far enterprise forums—delegates' and workers' meetings—produced no resolution to indicate progress. The immediate reason for the Gyomaendrod strike was that last Friday [14 Apr] another delegates' meeting convened in response to an earlier work stoppage and was unable to reach a decision.

Among demands voiced by strikers was the withdrawal of one of director Sandor Moskovits' instructions which is contrary to the interests of the Gyomaendrod workers. The instruction was contained in a letter from Moskovits in which he requested that all technical documentation supportive of furnaces developed and manufactured at Gyomaendrod be sent to Bekescsaba. While unsuccessfully negotiating with striking workers in the morning Moskovits made a remark to the effect that he asked the enterprise legal counsel to initiate proceedings at the labor affairs court to investigate whether or not the strike was legal.

Another workers' meeting was held in the afternoon with the participation of the afternoon shift. The Bekes County council chairman, Miklos Muranyi, was also present. Gyomaendrod factory manager Zoltan Szujo' suggestion that Moskovits withdraw the instruction complained that he should convene the enterprise delegates meeting on Thursday for Gyomaendrod workers to document the details of the separation of the two factory units, and for Bekescsaba to present its concept of possible cooperation as a limited liability or a stock corporation brought the fruitless second meeting to an end. Moskovits agreed to the suggestion and withdrew the instruction which aggrieved the Gyomaendrod workers. The county council chairman promised that if the Thursday meeting produced no results, he would initiate action for the government to place the enterprise under state administrative supervision within the shortest possible time. Thereafter the strikers resumed work at 1530.

'Independence' Sought

25000235 Budapest NEPSZAVA in Hungarian
19 Apr 89 pp 1, 5

[Article by Andras S. Boda: "Strike or Extortion?"]

[Excerpts] "Are the furnace makers still on strike?" "How should I know," the man with a blue sweater dismissed my question with indifference when I asked for up-to-date news in the outskirts of Gyomaendrod. Workers at Plant No 2 of the Furnace Manufacturing and Machine Industry Enterprise did not start work on Monday at 0600. I thought that in the fresh city—they acquired that rank on 1 March—[meaning of this designation unknown] refusal to work would produce more smoke. [passage omitted]

[The workers] felt they had enough of the power play by headquarters in Bekescsaba, and of withdrawals of profits and money.

Unable to argue any longer, enterprise director Sandor Moskovits "hardened up," and filed a complaint at the County Court in Gyula against the strikers.

It is hard to decide whether he had a right to do so, because the strike law went into effect at the zero hour on Monday [17 Apr], but the way Gyomaendrod workers handled the matter did not comply with the law. The law requires both parties to try to settle disputed issues for 7 days before striking.

In Gyomaendrod the strike was not announced 7 days in advance.

At the factory, people around me objected when, for the sake of arguing, I mentioned this fact.

"Seven days? Seven years or 20 years if you so desire. It has been that long since we have wanted to become independent and to be our own bosses."

We are in the midst of things. But because the case is rather confusing, it would not hurt to briefly review the related history.

In order to somewhat relieve the employment situation in the area, and in order to introduce industry along with existing agriculture, the Bekes County council established an enterprise, or more accurately: a plant at Gyoma in 1967. The Iron and Stove Enterprise of Oroshaza established a 30- or 40-employee unit in the village [Gyomaendrod], and as a present it served the function of building gas furnaces. The workers of the small plant learned how to perform their jobs well, a fact that will gain special significance later. But let's go on with history. In 1968 the people at Oroshaza sold the plant to the National Oil and Gas Industry Trust [OKGT], and within a short period of time the Gyomaendrod plant had new owners. It was transferred to the Bekes County Mixed Industry Enterprise. Thereafter only the name changed: in 1982 the old-new owner became the Koros Furnace Manufacturing and Machine Industry Enterprise.

Only the Owner Changed

I do not want to burden the reader with tiny details. The essence is that quite a few things could have changed, but the workers and gas furnaces remained. It seems there were no problems with the quality of work, and most certainly it was a good idea to "invent" and manufacture gas furnaces from the very beginning.

Accordingly, the plant at Gyomaendrod did not change. On the other hand, the "owner" changed, because the former mixed industry service enterprise became a furnace manufacturing and machine industry enterprise. But this changeover was not easy. They had to make a living even while changing profiles, and while they learned in Bekescsaba what workers in Gyomaendrod had known for a long time, profits earned by workers in Gyomaendrod supported the factory unit in Bekescsaba, and quite naturally, also the enterprise headquarters.

We are sitting here in the office of Gyomaendrod Plant No 2. I am questioning factory unit manager Zoltan Szujo:

[NEPSZAVA] Tell me, what is this—a revolution?

[Szujo] People are fed up.

[NEPSZAVA] Fed up with what?

[Szujo] They have had enough of this socialist exploitation.

[NEPSZAVA] Are they correct?

[Szujo] Yes, I believe so. I am in full agreement with their intent to become independent.

[NEPSZAVA] And the method?

[Szujo] Although I was not present at any of the strike actions I feel they had no alternative.

Later on it's no longer just the two of us in the room. The factory unit's chief union steward Sandor Porubcsanszki and Istvan Kora—incidentally the managing executive of the local Hungarian Democratic Forum [MDF]—joined the discussion. Both are enterprise delegates. They cut into each others' words listing why, in their view the grievance can be remedied only by divorce.

Despite the greater production value produced at Gyomaendrod, and despite the larger profits the workers earn here, they make less money than workers in Bekescsaba. Also the ratio of developments and investments favors Bekescsaba, they just built a new office building; the number of bureaucrats sustained is to high....

16 Compares to 19?

And now, once again in the plant, at the room where finished products are stored. Elek Farkas, Mihaly Kulcsar, Antal Izso, Tibor Babarik, Karoly Barath, Mrs Lajos Szaloki and Bela Koloh respond to the unexpected question. From the way they respond one can hear that they too have asked themselves this question. "The goods produced should stay here! We as well as the plant should obtain our share of profits according to the value produced."

Kulcsar explains that they are "adults."

[Kulcsar] I believe we have proved already that whatever we are doing, we are doing it right. It would be nice to support ourselves only.

Izso sighs before giving his answer.

[Izso] In the present condition of the people's economy they should save more, they should adapt better to the conditions, and perhaps also the worker's opinion should count.

[NEPSZAVA] To what extent does this affect your pocket?

[Izso] Let us be independent, we'll all see!

And once again back to the chronology. The enterprise president issued a call for a delegate meeting on 10 March of this year, to debate over last year's financial statement and to discuss this year's plans. The composition of the 35 member group of delegates is clearcut: 16 delegates are from Gyomaendrod, 15 from Bekescsaba, and 4 from headquarters. (For the sake of simplicity, and, as they say, based on experience the workers at Gyomaendrod put it this way: "16 compared to 19, we're always in the minority.")

Before the delegates' meeting the trade union convened the workers at Gyomaendrod: let the workers say what the delegates should represent, what they should convey at next day's conference. They prepared an answer at the workers meetings—spontaneously, so they say: Bekescsaba wants to destroy us, therefore we want independence!

[Szujó] I support the factory unit's endeavor to be independent. There is only one sentence on the snow white paper, and beneath that sentence one can find the signatures of 163 out of 170 workers.

[NEPSZAVA] What happened?

[Szujó] The delegates from Gyomaendrod did not go to the delegates' meeting because they felt that there was no hope at all for the delegates from Bekescsaba to even place our request on the agenda. Thereafter, the president postponed the failed conference from morning to afternoon. Using his authority as president he ordered the delegates to appear at enterprise headquarters under the pretext of overtime work. No decision was reached despite this fact.

[NEPSZAVA] The first strike at the plant took place on 12 April.

[Szujó] That was only a warning work stoppage. The reason, the cause for work stoppage was clear: the latest actions by the enterprise president to render the factory unit impossible, and quite naturally the fact that no one dealt with the merits of our endeavors to become independent.

[NEPSZAVA] If I am correct, last Friday they convened another delegates' meeting.

[Szujó] Yes, but that meeting did not produce any substantive results either. As I understand the matter, that meeting prompted the workers to strike on Monday.

Accusations and Rationality

Work did not start at the Gyomaendrod factory unit on Monday morning at 6. A sign on the gate said "STRIKE," and described a five point demand: Beginning on 1 July they want to be independent; the enterprise management is not suited to making a decision, let the county council decide; the president should withdraw his request for documentation concerning the products of the factory unit; and a delegates' meeting should be convened as soon as possible. And then, a final point: since enterprise management does not take into consideration the minority viewpoint, it is not suited for leadership!

The office building of the Koros Furnace Manufacturing and Machine Industry Enterprise is truly nice. The one time ruins of a mill were changed into an building with the character of an industrial monument. Both inside and outside.

I am telling the president:

[NEPSZAVA] These are serious charges!

[Moskovits] Part of the charges is untrue!

Next to him chief accountant Dr Laszlo Faddi and chief engineer Laszlo Liptak agree.

[NEPSZAVA] Why would they harm you if it were not justified?

[Moskovits] Perhaps it's the emotions that escalated, perhaps its local patriotism. But I believe that in these days pure rationality must be the determinant.

[NEPSZAVA] According to opinions voiced in Gyomaendrod the development of the enterprise can be credited primarily to work accomplished in Gyomaendrod. They always produced more profits, and received less investments. Their wages were lower too.

[Moskovits] One cannot compare. Although it is true that during the past several years Gyomaendrod always produced a larger share of the profits, this has been on the decline, and by now we produce equal shares of profit.

[NEPSZAVA] And the investments?

[Moskovits] There were times when Bekescsaba received more, and there were other times when Gyomaendrod got more.

[NEPSZAVA] And how about wages?

[Moskovits] Look, 7 years ago the annual difference was 4,500 forints in favor of Bekescsaba. By 1985 the difference was only 3,400 forints, and by last year we reduced it to 1,800 forints. This past January wage levels at the two places were identical. The numbers speak for themselves.

(Except for the fact that these numbers reflect many things. They may serve as proof for the president's progressive activities, but it may also verify the claim that indeed the workers at Gyomaendrod suffered multiple disadvantages for years, disadvantages they still suffer, according to their statements.)

[NEPSZAVA] What's your opinion of the strike?

[Moskovits] I believe it is illegal. I could also call it extortion. Incidentally, I did file a complaint at country court.

[NEPSZAVA] What's your view on splitting the enterprise?

[Moskovits] Everyone will suffer as a result. Nevertheless, under appropriate conditions—and these include the sharing on a 50-50 basis not only the assets but also the liabilities [credits]—it is conceivable. I'm not the one who makes this decision, of course—the meeting of delegates is.

Not Omnipotent

Is it a justified strike or is it extortion? It is difficult to answer this question because one has to interpret the opportunities afforded by law as well as the actions of the president. Someone in Bekescsaba had this to say: if the workers at Gyomaendrod went on strike for higher wages, today this may appear as a lawful, "smooth" case. They are now concerned about their future, but they are doing it in a way by reviewing the president's authority, his professional competence and his work. I do not know what will happen in the end.

Tomorrow there will be another delegates' meeting in Bekescsaba at enterprise headquarters. The workers at Gyomaendrod say they will not give in. The president mentioned extortion and anarchy. The situation looks hopeless.

The court has not yet set a hearing date.

In Gyomaendrod and in Bekescsaba gas furnaces are being manufactured once again.

On my way home I pondered whether this is a trade union issue, or if we are dealing perhaps with an acute problem of the economy which cannot be remedied by strike. This is so, because strikes are not omnipotent.

Court Rules Strike Illegal

25000235 Budapest NEPSZAVA in Hungarian
27 Apr 89 pp 1, 5

[Article by Andras S.Boda: "According to a Ruling Handed Down by the County Labor Affairs Court: The Gyomaendrod Furnace Makers' Strike Is Illegal"]

[Excerpts] Following an earlier strike at the Kner printing press, Bekes County once again became the focal point of interest as a result of another strike. Yesterday [26 Apr] the Labor Affairs Court at Gyula chaired by its president Mrs Herendi, Dr Katalin Adam heard the case involving a strike by workers of the Koros Furnace Manufacturing and Machine Industry Enterprise in Gyomaendrod. [passage omitted]

Enterprise management filed a complaint with the Labor Affairs Court asking the court to declare the Gyomaendrod workers' strike illegal.

The hearing that began yesterday at 1400 promised excitement from the outset, because the overwhelming majority of interested persons, but perhaps even of the affected persons felt that the legality of the strike will hinge upon the extent to which it was consistent with the law (the strike law went into effect on 12 April), and on the extent to which the ruling would be influenced by the fact that despite the effective date of the law, the official notice proclaiming the law was published only 1 week later, i.e., on the day of the strike.

The strikers' legal representative (we will revert to the issue of legal representation later) built his arguments on the fact that independence endeavors by the workers were clearly in the economic and social interests of the Gyomaendrod workers, and thus there should be no doubt about the use of strike as the ultimate means, and about the legality of the strike. The strikers' legal representative, attorney Dr Janos Herjeczky, and the manager of the Gyomaendrod factory unit Zoltan Szujó who was present and duly authorized by the strikers readily proved their claim by presenting enterprise data.

The complainants—the legal counsel of the Koros Furnace Manufacturing and Machine Industry Enterprise and its president, Sandor Moskovits—argued that the strike was not consistent with applicable legal provisions, because it was not preceded by 7 days of mediation. At the same time they called attention to the fact that although without setting deadlines, the enterprise has stated its willingness to discuss the matter [with the Gyomaendrod workers] several times. The complainants also argued that mediation had some procedural flaws, because they did not form mediation committees, and did not reach an agreement as to the method of mediation.

The Gyomaendrod workers' representative responded with a witty argument saying that the promulgation of the law must not be conceived as having preempted the right [to strike?], the events and the passions date back prior to the effective date of the law, and therefore the verbatim application of the law becomes impossible. Accordingly, it is the extent to which the events and the conduct of the Gyomaendrod workers complied with the substance and the spirit of the law that should be the subject of examination. According to the workers of Gyomaendrod there is, and can be nothing wrong about that.

There was an odd interlude at yesterday's hearing when group leader Prosecutor Tamas Toth posed a question offering settlement. In response the enterprise president made this offer: he is willing to withdraw the complaint and his request to the court to determine the legality of the strike, if the workers of the Gyomaendrod factory unit make up for the time spent on strike by performing work, and if they voluntarily surrender their right to strike until the case is settled in the future, meaning: until the possible realization of independence.

The response was categorical. The workers of Gyomaendrod do not surrender their subjective right to strike and they will not be a party to the settlement.

A key issue at yesterday's hearing—and the ruling too accorded a key role to this issue—was the question of the extent to which earlier negotiations which could be regarded as mediation were unsuccessful. The key issue pertained to a resolution produced at the 14 April meeting of delegates, which came about as a result of the affirmative vote of 19 delegates and the 16 negative votes of the Gyomaendrod workers. The question is whether that resolution came about in the framework of negotiations which promised results and which demanded a continuation. According to the resolution Bekescsaba headquarters and the Gyomaendrod factory unit would prepare independent recommendations by 2 May concerning the method and technique of separation deemed conceivable by each of the parties.

The ruling of the Gyula Labor Affairs Court says that it was, and thus the court of first instance declared the 17 April strike by more than 150 workers at the Koros Furnace Manufacturing and Machine Industry Enterprise Gyomaendrod Plant No 1 illegal.

Responding to the NEPSZAVA reporter's question after the ruling the legal representative of the Gyomaendrod workers and the strikers' representative said they intend to appeal the ruling at the County Court of Gyula.

Although perhaps this should not be part of a report on court proceedings, we find it necessary to mention that the county representative of trade unions did not participate at the hearing. As we learned from the strikers' representative, neither party made an initiative in regard to legal representation.

SZOT Demands Price Increase Review, Accountability

4-Point Demand Presented

25000236 Budapest NEPSZAVA in Hungarian
18 Apr 89 p 1

[SZOT statement: "The Government Should Suspend Its Announced Pricing Measures and Should Account for State Expenditures"]

[Text] I. The SZOT [National Trade Union Council] presidium convened in extraordinary session on Monday [17 Apr]. The meeting agenda pertained to trade union positions concerning recent government actions.

The presidium determined that the government's latest decisions created a flood of ill feeling and outrage among trade union members. This outrage is understandable, because although from the government standpoint the increase in consumer prices does not substantially exceed the planned level of increase, the increase is substantial for persons experiencing hardship. The

employees' real wage position is deteriorating further, growing masses cross the poverty threshold. By now, the living conditions of not only the young, those having large families, and pensioners have become critical, but a large number of employees must also face this situation. Meanwhile, the income producing capacity of the economy has not improved in a tangible manner, structural change is not progressing, and for this reason the population is witnessing the deterioration of living conditions like senseless victims.

In the trade unions' judgment the evolution of this situation could have been avoided, and it cannot be justified exclusively on grounds of the country's economic concerns.

This is not the first time the trade unions bring up these matters. During the past 2 years the unions continually reminded the economic leadership that several of its actions will not have a stabilizing effect, but instead will deepen the economic and social crisis.

Recently the trade unions have expressed their detailed views concerning the fundamental issues of economic and distribution policies several times.

This is what took place when the unions criticized the government program and the annual plans for their decisively restrictive character which increases the burden primarily on the population, when the unions complained about lack of substantive advances in evolution, when they criticized decisions related to tax reform and budgetary policy, and when the trade unions developed positions concerning pricing policies and actions related to narrow-minded wage policies which restrict the standard of living.

Here we may include comments made by the trade unions concerning pharmaceutical price increases, the system of pharmaceutical sales, the planned increase in energy prices and other actions affecting prices. Most of the demands and views expressed by the trade union movement were disregarded by the government, and were not weighed by their merits. The SZOT presidium's 13 January 1989 position suffered a similar fate. Negotiations between SZOT and the government, as proposed in that positions statement, have not materialized to date, of no fault of SZOT.

By now, it has been proven that on several points we are confronted with consequences which, among other reasons evolved because the trade union's warnings were disregarded.

II. Looking at the experiences as a whole, the SZOT presidium concluded that the earlier agreement reached between SZOT and the government should be reexamined. Nevertheless, negotiations can take place in a responsible manner, and in hopes of reaching an agreement only if one is prepared to sit down at the table.

Without disputing the immediate need for consultations, the SZOT presidium envisions an opportunity for negotiations between SZOT and the government only if certain conditions exist:

- The SZOT presidium envisions the possibility of reaching agreements that have merit only with a government and a body of leaders whose composition has changed;
- The presidium calls firmly upon the government not to make further decisions regarding matters which adversely affect the standard of living until negotiations take place. In addition, until such date that negotiations are held, the government should suspend pricing measures which are being planned and have been announced to go into effect on 2 May.
- The SZOT presidium demands firmly that beginning on 1 May pensions be increased uniformly by 100 forints, as that was determined in the annual plan, and consistent with the agreement between SZOT and the government.
- Negotiations are fundamentally conditioned by the government providing a realistic picture of the country's burdens, the extent of debt and debt service burdens, and of the contents of agreements reached with international financial organizations. This, after repeated delays and attempts to explain, none of which could be comprehended by public opinion. The government should account for state revenues and expenditures, and for the causes and the size of budgetary deficit. The government should make public the circumstances in which the 1989 people's economy plan was prepared, and the conclusions that may be drawn from that process. The government should point to the persons responsible for the situation that evolved, for the mistaken decisions and the unfounded perceptions. Only on this basis can there evolve a new consensus, and an accounting in public may provide a framework for an evolving national round table discussion. Absent all this the possibilities for agreement will vanish.
- Until such time that negotiations take place, the government should provide a sketch of its short range crisis management program and the measures that serve to manage the crisis. The government should announce a position regarding social, wage, and budget reform policies, and should present its conceptions concerning changes in the taxation system.

The SZOT presidium is prepared to negotiate instantly, and has already designated a delegation representing the trade union movement authorized to engage in conciliation. At the conference SZOT expects to receive an answer to the question of what the government's views are concerning the presidium's position. The response will determine whether there is a possibility for resolving existing problems through negotiation, or whether the trade unions will be forced to utilize more firm measures in enforcing their interests.

III. The presidium once again expresses its view that trade unions are not interested in making unrealistic

demands, thus deepening the grave social and economic crisis and endangering the country's economic and political stability. For this reason the trade unions will bar all unfounded demands, at the same time, however, in the future trade unions will not accept the fact that their recommendations, and initiatives made in the interest of employees are disregarded.

IV. Trade unions are fundamentally interested in the evolution of a social consensus, one that still rests on satisfactory foundations. Trade union bodies and leading officers will turn to the workers, and in the coming days and weeks will initiate broadly-based consultations with union members. Trade unions will also regard the first of May as the mass demonstration of employers in which they express their interests and demands.

The SZOT presidium is confident that its initiatives will be received by the government in a responsible manner, and that unions will not be forced to apply other means for the enforcement of interests.

'Diminishing Confidence'

25000236 Budapest NEPSZAVA in Hungarian
19 Apr 89 pp 1, 5

[Interviews with employees of United Electrical Machine Works (EVIG), Electrical Industry Enterprise, and Budapest Gas Works; dates and places not given]

[Excerpts] A firm, tough statement was prepared at the SZOT [National Trade Union Council] presidium's extraordinary session on Monday concerning government actions. Whoever picked up the Tuesday issue of NEPSZAVA saw an unusually provocative title on page 1: "The government should suspend its announced pricing measures and should account for state expenditures." We compiled workers' views concerning the SZOT position. [passage omitted]

United Electrical Machine Works (EVIG): Karoly Danok, Nandor Keber, Ferenc Leimeter, lathe operators, and Istvan Winkler, machine operator.

[Danok] We too would like to see the government provide an accurate accounting as to the purposes for which foreign credits were used. We are not convinced that these funds were indeed spent for good purposes, because we do not see progress either in regards to structural change or retraining. Thus far the SZOT leadership was unable to achieve much vis-a-vis the government, after all the prices are going up and up, and wages do not follow the prices.

[NEPSZAVA] What is your view on the SZOT presidium's requirement to change the government composition?

[Danok] We expect the government to support industrial workers, because it is we who produce a large part of the national income. I will say that the political power can still rely on workers, but there is less and less confidence and patience.

[Keber] And we expect the trade union to represent our interests. It should not be a weak puppet, it's word should carry weight. The government has already exceeded the inflation rate planned for the entire year, yet not even a plan has been prepared for wage reform. What sense does it make to have so many negotiations, demands, and protests if the government does not take the trade union seriously?

[NEPSZAVA] But the SZOT presidium has stated the prospect that unless it is able to resolve the problems with government through negotiations, trade unions will utilize more firm measures to enforce their interests. How do you view this?

[Winkler] In my view, trade unions have no other serious means [of protest] than striking. But here a majority of the workers would not be happy to strike because they are concerned about their daily bread, about their existential security.

[Danok] We do not want to strike, because that leads to no good. What we need more is that they should provide an incentive to workers, because we know how to work and we want to work, if work makes sense. It is here that the trade union should help, by placing the appropriate persons into leadership positions both in government and at enterprises.

[Leimeter] In these days it is difficult to pursue trade union work. People are disillusioned and passive, they heard enough talk. Everyone knows that things cannot go on the way they did. Nervous tension has been pushed to the limit, and good word will not help, only actions will. They must stop further price increases and must relieve concerns about livelihood because only in this way can the tense atmosphere be relieved.

[Keber] For this we would need a more determined, more fighting trade union, one that could do something for the workers, and could enforce its demands.

[Danok] After this session I am expecting a healthy compromise between the trade unions and the government. They should rearrange their financial resources so as to help relieve small people's concerns.

[Winkler] I too hope that the government will take seriously the publicized trade union conditions, and that we will not be forced to utilize our ultimate means.

Electrical Industry Enterprise: Ferenc Praj, worker, party and union member. [passage omitted]

[Praj] I am supporting the SZOT presidium in urging change in the government composition. I feel that the government is not capable to negotiate, that its word cannot be trusted, that it cannot account for the people's money, and we do not even know on what those huge loans were spent. The money just flows and flows from their hands, and one sees no semblance of results. Instead the crisis is deepening and poverty is becoming widespread. This condition cannot be sustained for long.

The middle-aged man speaks with concern about his homeland. He worries that SZOT's words came too late. He cannot judge whether there is any force behind SZOT's words. In his judgment neither the government nor the party take the trade unions seriously. But he does not know whether trade union leaders are aware of this.

Could the more than 4 million trade union members be the largest force behind SZOT's words? Praj does not trust the power of the masses. He does not, because the trade union movement has become overly heterogeneous, a significant number of people is indifferent.

[Praj] Perhaps we would think differently if we knew that in case of a strike the trade union is able to provide for the strikers' livelihood. I do not want to strike, but perhaps that would be the harshest warning to the government: we have had enough of the hasty, makeshift measures which increasingly strike the workers. And then perhaps the trade union could regain its old standing.

Budapest Gas Works: Laszlo Batho, enterprise trade union council secretary; Laszlo Palko, group leader; Lajos Turcsanyi, garage superintendent; Janos Zseli, driver; Tibor Stefan, gas mechanic, trade union activist.

Batho wanted to read the report in the evening, because "as of recently the beating goes on from dawn to dusk, the flow of visitors does not stop." Today's "brainwork" concerns the issue of how the trade union could abide by its contracts because there is no money for road tolls. In conjunction with summer recreation the 110 cars and 12 buses incur an extra expense as a result of that tax. It seems that because of the government's newest "brainchild" we must cancel the agreement we signed with foreign partners. The only thing Batho does not know whom the foreigners will think is crazy. Grudgingly he walks away with the newspaper. [passage omitted]

[Palko] I learned of the trade union position from yesterday's television. My view is the general view. Who has ever heard of a thing that the government does not negotiate with SZOT? But if it does not negotiate, what recourse is available to the movement? And if they now negotiate, what kind of reassurance can the government and the union give? I am also disturbed by the question of whether the cause of the entire nation, the crippling of the nation that has begun is a matter of concern only to SZOT and the government? Where are the rest of the newly formed organizations? I find the government's

interventionist techniques stunning, and I have in mind the pharmaceutical price increase, the toll roads and the customs issue. I believe that the fact that the government does not have a system of goals is an even greater sin than its haste. [passage omitted]

[Turcsanyi] All I can say is that it was high time for the trade union to get tough. And SZOT is correct when it is not willing to negotiate with a government that disregards the union and could not care less. Also the people say this: One cannot refurbish a room by pushing furniture around. But they also say that, to put it mildly, it is absurd to have an antitrade union government in a socialist country.

[Zseli] Are you interested in our views? Well, I'll tell you: the wording of this position paper is good, moreover, it is unusual. But people do not believe anyone anymore. There is huge lack of confidence. The worker says: seeing is believing. Meaning that seeing when and how the trade union leadership acts in the aftermath of that good text. The worker is curious who will kick the ball in the end. Because he knows, this is how we think, that the toll road will raise the price of vegetables we buy on the market, because the vendor conveys the price increase to us. And anyone, whoever is engaged in transportation will convey that price increase upon us. For how long can this go on? [passage omitted]

[Stefan] Really, for how long? I too would be broke now had I not received a 3,000 forint raise as a skilled worker promoted from the workers ranks. But I'm getting there slowly anyway—because of the taxes we had to liquidate the VGMK [Enterprise Economic Work Collective]. We paid last year's taxes. Do you know how much was left? A 25 forint hourly wage. Even though we performed this work between 4 pm and 10 pm, and we did it on holidays and weekends. And do you know what kind of snack you get for 25 forints in a self-service restaurant? A sandwich and a soda. We said: they should not humiliate us. But we also say that if it makes sense we will tighten the belt further, but we won't do so just for the sake of the villas owned by the big shots and for their 60,000 to 70,000 forint salaries per month.

And what else came to the minds of these four men concerning the SZOT presidium statement? They say that whatever is called a conception by the government is not a conception... [passage omitted]

[Batho] The other day four young couples came to see me. The enterprise helped them obtain apartments. They asked me: "Tell me, uncle Laci, how can we make a living?" One of the kids figured out that they are destitute by now out of two salaries amounting to not quite 12,000 forints, and with two children. After paying the installments on the apartment and the necessities, there remains barely 5,000 forints for living. They have a roof over their heads but they have no life. The adults in the family eat larded bread for lunch five times a week. But tell me, as a trade union secretary what can I

respond to such questions. Our impulse system consists of many, many such stories. But it is beyond me why this is of no interest to the leadership of the state.

Worker Reaction Detailed

25000236 Budapest NEPSZAVA in Hungarian
21 Apr 89 pp 1, 7

[Interviews with employees from the National Mining Machinery Manufacturing Plant, Ribbon Weaving and Embroidery Manufacturing Enterprise, and Eastern Railroad Terminal; dates and places not given]

[Excerpts]

National Mining Machinery Manufacturing Plant employees: Laszlo Teleky, worker; Roman Stampf, group leader; Jozsef Bema, tool installer.

[Teleky] Finally the presidium got tough! This should have been done a long time ago. [passage omitted]

Also I agree with the position, nevertheless I have some criticism. Although the trade union has every right to voice its dissatisfaction also by not negotiating with the government, I believe that for the sake of representing interests they should use every opportunity to negotiate. At a time when the situation is deteriorating day after day, we cannot wait until a new government is formed. And the other problem I see is that still there are too many generalities in the statement. More specifics are needed.

[Stampf] I believe that the SZOT presidium's present statement is of a definitive significance and that they should have issued a statement like this a long time ago. The trade union did not work in this way during the past 40 years, and I do not think that the presidium worked this way either. And this was a terrible mistake. We want to place demands on the government at a time when it is obvious that the government is incapable of acting. I would not say that we should not voice our demands, except that I feel that trade union work can be really successful only in wealthy countries. In those countries there are things to be demanded and they have things to satisfy the demands with. We know what we need, but no one, neither the party, nor the government, and not even the trade union has the means to satisfy our needs. We operate in a delayed phase. Among other matters it is the job of trade unions to keenly watch the economy, the interests of organized workers. They should have struck hard already when the first price increase took place, not only now. Wouldn't you agree?

[Bema] Yes, but no. Just think: With whom could the union engage in a debate? The government acted upon instructions received from the party, and therefore the party should have been confronted, not the government, and who would have done that before? What I would like to see—and not only I, because we have talked a lot about this in the plant—is that both the party and the

union adopt identical programs, but not the way they did in the olden days—that was only a symbolic union—but on a realistic basis. I like the fact that the presidium decided that finally they will stand up in our behalf, but if it does not succeed now they can attribute such failure to the fact that they disregarded the signals received earlier. We all remember the many kinds of public mood reports they prepared at the plant, and how many times so many people sought out our views, and in those instances we told them about our fears. What were we afraid of? We feared what has now taken place. They should listen to us more intensely.

[NEPSZAVA] The presidium's statement manifests such attention.

[Bema] That's very good, that's what I am talking about. This was the first step in the present situation, and if the trade union indeed represents our interests it cannot stop at this point. This path must be followed, and most certainly, every organized worker will support the trade union in these actions.

[NEPSZAVA] What do you expect as a result of the position statement? [passage omitted]

[Stampf] We are hoping. Look, if the unions and the workings of the presidium had been this way in earlier days, the way things are reflected in the position statement, there would have been no tax law, pharmaceutical prices would not have been raised, and they would not have killed the VGMK's. As I said, we are hoping, but in order for us to hope we need to see a continuation.

They Would Not Be Happy About a Strike

Ribbon Weaving and Embroidery Manufacturing Enterprise: Mrs Tibor Kancel, quality control group leader and 30-year employee; Felix Clever, doubler; Julia Szemretczky, textile worker; Mrs Sandor Petrovai, quality control worker. [passage omitted]

[Kancel] Well, yes. The trade union made a tough statement. This is so because now we can talk, anything can be said. But what's behind the words? How far can our words be heard? Of course I read the report and our colleagues and I discussed it. What do they say? It would be nice if the trade union could finally do something. But they are concerned that once again the words will remain words only. We cannot believe that SZOT is able to torpedo the planned price increases. Even though slowly there is nothing left for living...[passage omitted]

[Kancel] But this way it is very difficult to make a living! My husband will be forced to take a weekend job at the Budapest Transit Company. One of our salaries is paid to the National Savings Bank. Last year we could not even take a summer vacation! Yes, this is how far this country progressed. [passage omitted]

[Kancel] Why do we have to borrow and borrow all the time? Can't the government think of something else to do? And if it does figure out something else it is we, the workers, the people who suffer as a result. The workers did not get this country into this situation! We know that our work produces money. We did nothing but work. And we want to work. We would not be happy at all with a strike! So that we don't earn money during the strike? My subordinates earn 5,000 forints. And now that the trade union encourages us to strike—I do not believe that this is a good solution even as a matter of last resort. Now for example we are selling beautiful draperies to the West. What do you think, how will the capitalists have confidence in us if on one day we stop working and the next day we work? [passage omitted]

[Kancel] I do not have much hope in the negotiations between the new government and SZOT. Why? The other day the prime minister appeared very short tempered on television. To me this suggests rejection. The government must make concessions unless it wants to lose all credibility. It must take the union seriously.

[NEPSZAVA] What would you do in SZOT's place?

[Kancel] I would be at SZOT, not here if I knew....

[Clever] It should be made possible for people to regain their confidence. They should not satisfy needs only through price increases and by placing additional burdens on the population. This should come to an end at last and it is in this regard that the trade union should help!

There Was Wage Reform 'Up on Top'

[Passage omitted]

[Szemretczky] This position should have been taken a long time ago. Prior to the January price increases. Whether it will succeed? I still have confidence in the trade union. It should not let itself be pushed around! It is bad enough that for decades the trade union acquiesced into everything, they let the government have its way. Quite naturally, the government did not take the trade union seriously. I do not know how the country got to this point. They should have introduced reform measures much earlier. For a long time we did not even know what great trouble the people's economy was in. We heard only the favorable, the good things about it everywhere. And in the end it turns out that we are indebted. By now we can feel this on our own skin. [passage omitted]

[Szemretczky] What can I say? The people in both the government and the trade union should be fit to serve. After that we can talk about the way out.

[Petrovai] Yesterday I stood in line to purchase 1 kilogram of bananas. By the time it was my turn there were only overripe, rotten bananas in the crate. They sold it to

me for the same amount others paid for good bananas. That's where we stand. This is a small matter, but the same thing goes on a larger scale.

Eastern Railroad Terminal: Istvan Lazar, union committee secretary; Istvan Kaszas, chief union steward, traffic operations; and Kalman Zacovics, union steward, control operations.

[Lazar] We served the movement for quite some time now. We are aware that the situation is most dangerous when people do not want to express their opinions, even though they have opinions. Such silence can result in explosion. Because silence cannot be dealt with, only opinions, expressed views can be dealt with. I asked for the workers' views about the SZOT presidium's Monday statement. Do you know what the workers said? "Have you forgotten already what the pamphlet distributed at the Northern repair shop meeting on 20 January contained?" Well, that leaflet said that the branch trade union demands a 10 percent wage increase for railroad workers, and also that 6 percent of that should be tax free. That pamphlet also showed a deadline: 31 March 1989, and stated that we should manifest patience until the deadline date. And then the people said: "What's today's date, in your view?" [passage omitted]

[Lazar] Once again the only matter no one talks about is wage reform. Because those who could talk about it, those up on top already had their wages reformed. [passage omitted]

[Lazar] Recently the trade union has done nothing but defend itself and provide explanations. I do not like the role they play. Similarly, I do not like the fact that the government removes itself from everything in an elegant fashion. Insofar as we are concerned, they are now suggesting that the railroad should function in an enterprise form. Nowhere in the world is there such a thing. Could the railroad discontinue its passenger traffic and freight transportation simply because it does not pay enough? I am shocked for two reasons when the prime minister mentions the mistakes made by the "old government." First, who were the members of the old government? And second: the mistakes made by the government destroyed some branches of industry, caused "accidents" of a national scope, yet they are throwing a veil on these. On the other hand if a cashier is discourteous with a passenger we start disciplinary action against that cashier... We have been forced to learn that the life of a railroad stands or falls on discipline. But upon whom does the state leadership's senselessness, disorganization and to top it off, incompetence hinge?

[Zacovics] At last night's briefing we discussed the SZOT presidium position, and right away the talk turned to wages. We heard the head comrade macho's [sarcastic] radio explanation about forint devaluation. According to him devaluation was necessitated by a 20-percent wage [excess] outflow. Where was that outflow? Because in 1989 at the railroads 123,000 people received a

2.5-percent wage increase at most. And we read that in one of the factories workers underscored their demand for a 6-percent wage increase by striking. People ask: where did that 20 percent go?

Only Labor Is Not Paid What It's Worth

[Kaszas] I would ask this: What kind of assurance does the SZOT presidium position statement represent? Because their writing indicates that henceforth the leaders of the movement will negotiate if certain conditions are met. What conditions? I respect their intent, but as we know trade unions can only make recommendations to the government, and as we can see all this amounts to very little. Is it the fact that we can initiate even a nationwide warning strike? God protect us from such a strike. Anyway, the railroads cannot go on strike, the railroads are in a "constrained situation." And SZOT has no means....

[Lazar] This government has peculiar ears. Someone told them that he gets more money in the form of sick pay than when he works. They got the message and took immediate action, because how unfair a situation like this is. But will the government listen to what we have to say? That we wonder what makes this state a socialist state today? Because the government does not build apartments, renders health care unaffordable, interests on loans have reached usury levels... And we should be bargaining about wages. With whom? Tell me! We should build sewage lines by our own strength, then pay the full price of water, gas, and electricity. Only our work is not being paid for at full price. Or perhaps is it the tax system that makes Hungary a socialist country?

[Zacovics] I heard yesterday that we once again borrowed 150 million dollars. There is nothing more one can say about that.

[Lazar] It frequently occurs to me nowadays: Where in heck were those foreign credits spent? I couldn't figure it out. All I know with certainty is that the railroad received virtually nothing. And I heard that the goal is to achieve European standards, because if we fail in that respect we will see what kind of medieval economy we will have. What would the railroads need to catch up with Europe? Track which is capable of handling a speed of 160 km/hr, railroad cars which have not been depreciated to zero, and a transit speed which guarantees the performance of tasks. Well, the Hungarian railroad is not like that. One cannot make a Swiss watch with a large hammer.

Residential Reform Problems Reported

Inaction, Arrogance Charged

25000206 Budapest FIGYELO in Hungarian
6 Apr 89 pp 1, 10

[Unattributed report: "Residential Reform: Incapacity to Act Made Secret"]

[Text] The secret classification of the "secret" document has expired. Accordingly, it can be made public what kind of concepts the state administration would have

presented to the public concerning the death throes of the housing reform debate, though started with great zeal, and even more personal mud-slinging. But in the end, the government did not present the concept, and one wonders whether it is still valid? It is contained in a document classified as secret until 31 December 1988. It is now worthwhile to leaf through the pages. You won't be disappointed....

Only this much about the background: early last year a determination to do something about the apartment problem gained strength. The perfect fiasco of the 1981-83 residential policy reform not only became obvious, but was recognized officially. Accordingly, a new reform was needed. The first step was taken by the then sole existing youth organization. With the speed of lightning it developed its own conception which was much debated in its details, as well as in its entirety by many. (We should note here: in order to obtain a sketchy report concerning the overly abbreviated, oversimplified concept we had to wage actual hand-to-hand combat with the then leaders of the Ministry of Construction and Urban Development [EVM], because they argued with gratuitous self-assurance that the concept—was not a concept...See: FIGYELO No 15, 1988.)

Scientific workshops also registered their views strongly debating the professional aspects of the KISZ [Communist Youth Union] concept, and waited for the the government to step forward with its concept. (FIGYELO No 15, 1988). And during all this time public opinion was in turmoil, because they knew well in advance that whatever was called a "residential reform concept" in those days was no more than another, more drastic than ever rent increase.

But professional and lay public opinion waited in vain to objectively debate, affirm or deny the concepts, recommendations, or even the disturbing rumors. Although the government's concept was complete—it was submitted by the National Planning Office, the Ministry of Finance and the EVM—it was treated as a secret document to the extent that not even excerpts of it could be published. Simply put: state officials held tough in arguing every other concept, while, except for a tight group of insiders, no one could tell what they would come up with to resolve the intolerable, grave residential crisis.

May we state in advance: There is no practical way to resolve the residential crisis. And now, let us leaf through the document in question which illustrates a lack of imagination, an incapacity to act, and an inability to find a way out. The consequence of this document is that while no one paid serious attention to other recommendations, residential reform did not materialize, or remains pending because their own recommendations are not viable.

Without beating around the bush the document acknowledges the fact that "Maintaining the present residential system will, in the long term lead to increased tensions;

large-scale state subsidies are socially inefficient, and the burdens associated with the acquisition of a first home are increasing to a degree which significantly exceeds income." At the same time—and despite all this—the present system of subsidies is untenable because it represents unbearable expenses to the state budget. And the solution? "...the rearrangement of subsidies at the earliest possible date, the expansion of apartment availability [supply] and the slowing down of inflation." How? "...gradually, in proportion to available resources ..., but an increased burden to be carried by the population for using apartments is unavoidable." The essence of the final half sentence is this: "Rents must be increased on a differentiated basis, and interest subsidies on long term loans must be moderated." In exchange, however, "the tenant should, at the same time...receive full services." (How? Through "improved real estate management..." and through "simplified administration....")

And once again the essence: "Detailed proposals must be developed to realize a gradual rent increase..." and with that "The renewals which did not materialize continue to be a state function also in the future."

And then: The system by which interest is paid on residential loans must be changed. Interest rates in general must be based on the workings of market forces, while on the other hand it would be appropriate to discontinue limitations established by the central government regarding the upper limits of interest rates. It is somewhat of a concession that "interest on residential loans—up to a certain apartment size" (to what size? Up to the required 50-plus-something square meters?) "—should continue at a reduced rate."

Oh well, but how does all this create more apartments? According to the desires of government administration more apartments would be created mainly by stimulating the population "to acquire an inclination to save for purposes of obtaining an apartment," and at the same time "...to stimulate construction industry organizations to engage in construction projects of an entrepreneurial nature for the direct sale of residences." "Already(!) beginning in 1989 action must be taken for the establishment of efficient construction organizations, and for the stimulation of existing organizations to increase their stake in residential construction and renewal." Moreover: "The development of more efficient construction technologies must be encouraged and the choice of building materials must be expanded."

You must admit, dear readers, that this wish list is becoming increasingly more beautiful. And it is not yet complete, because the document states that by the millennium "a balance must be established between the population and the quantity and composition of available apartments...that available apartments should respond to the needs of those who establish new families, of others where several generations live together, and to the special needs (!) of single people." Moreover: "the

quality of apartments must improve in a manner so that apartments which do not satisfy the minimum requirements of habitability...are demolished, and that a decisive majority of apartments are equipped with all comforts."

What could one say to this? One's heart breaks upon reading so much conceptual generosity and firm determination...And after all this we find another conceptual closing passage: "Long term residential policy should provide social security by placing societally acceptable habitability within the reach of even the most needy while at the same time stimulating work achievements (!) and increased savings so that the acquisition and use of better quality and larger apartments can be achieved only by assuming a larger individual burden."

As they say: No comment. Or, perhaps, one may note this much: This is where we were at the beginning of 1988, in the possible starting phase of a hoped for, but since lost residential reform. Everything has remained the same: The residential situation remains grave and hopeless. One must suspect that this is so because the state's concept would not have been able to resolve anything in this great wide world. But there have been recommendations which perhaps were debatable as to detail, but in no way represented a wish list. They are not secret. They are accessible to anyone, and it is hard to believe that there are no people in government who feel that once again the time has come to initiate a general reform of apartment construction, management, and distribution.

So that I don't forget: however secret the state administrative document presented here in a sketchy form may be, in the moment of its classification as a secret the document also states that "broadly based societal debate must be organized concerning the basic principles" related to residential reform. And isn't this the beauty of it all? Using suddenly developed ideas they put together a secret concept, one, which they nevertheless want to subject to a "broadly based" societal debate. Let me ask this: What purpose would be served by societal debate? About what and why should hundreds of thousands of people without an apartment argue, and some other hundreds of thousands who insofar as their living conditions are concerned live under disgraceful and unallowable conditions? These are not professionals. These are people without apartments. At best they are able to recall that as promised twice by those who decided to have 15-year residential construction programs there will be no apartment problems in Hungary.

Slowly, even the third 15-year period has come to pass, and today apartment concerns are more pressing than ever. Well, enough about the professional foundations of this government program....

High-Interest Loans Criticized

25000206 Budapest FIGYELO in Hungarian
6 Apr 89 p 10

[Article by Mrs Laszlo Kovacs, National Assembly representative: "Residential Credit: Let's Not Support the Banks"]

[Text] Long-term residential reduced rate loans have been discontinued. Replacing the 3-percent interest rate is an 18.5-percent interest rate. Council of Ministers Decree No 106 of 26 December 1988 provides for state-funded installment payment subsidies during the first 10 years of loan payments in order to support the greatly increased payments. The calculations of the author, National Assembly Representative Mrs Laszlo Kovacs, prove that in several respects this arrangement is disadvantageous both to the state and to those who take advantage of it. According to Representative Kovacs' proposal the best solution would be to maintain the interest rate on loans for residential construction and purchase at 3 percent, but at the same time to decrease the term of such loans to 15 years. It is under these terms that the total amount of principal and interest paid is lowest, and the size of the monthly payments the most tolerable. The state budget would not be burdened by having to subsidize installment payments, and in the final analysis, the citizen would not pay much more for a residence than its original purchase price.

Taking into consideration the various types of loans and subsidies available today for families with 1, 2, and 3 children, the tables compare the old credit and installment payment terms in force until 1 July 1988, with today's terms and with the recommended terms.

The calculations were based on the price of an average size apartment valued at 1.57 million forints.

Table 1 enumerates the available forms of subsidies utilized in the model.

One finds that the provision of Paragraph 12.6 of the above-mentioned decree greatly hinders residential mobility. According to this provision in case an apartment encumbered by an interest-free or low-interest loan is sold, the interest on the assumed loan must be calculated at rates current at the time of the sale. Accordingly, reduced interest rates cannot be transferred. This provision severely hinders residential mobility, and for that reason the abolition of that provision must not be delayed.

Table 1

Allowances, credits	One child		Two children		Three children	
	In 1988	Present and recommended possibility	In 1988	Present and recommended possibility	In 1988	Present and recommended possibility
Sociopolitical allowance	50	50	150	200	400	600
Interest free loan or specially subsidized installment payments	320	300	380	400	480	500
Bank loan or general subsidized installment payments	400	400	200	200	-	-
Local subsidy	400	400	400	400	400	270
Employer support	200	200	200	200	200	200
Own resources (cash)	200	220	240	170	90	-

Table 2 (A and B) shows the present terms required by the state for borrowing and repayment. The tables show these figures in 5-year repayment cycles. Eligibility for special and general repayment subsidies are shown separately. (The amount of subsidy depends on the number

of children!) The table well demonstrates how a 300,000-forint loan becomes a 1.151-million repayment in 25 years, and how a 500,000-forint loan more than triples by the time it is repaid, thus contributing to the growth of inflation.

Table 2A: Credits With Special Subsidized Installments

Loan (1,000 forints)	Number of children	Term (years)	Payment obligation (forint/month)					Total payment obligation (1,000 forints)
			Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	
300	1	5	5,440	-	-	-	-	326
		10	3,320	4,440	-	-	-	463
		15	2,990	3,870	4,100	-	-	658
		20	2,870	3,730	3,900	4,470	-	898
		25	2,820	3,640	3,840	4,460	4,360	1,151
400	2	5	6,910	-	-	-	-	415
		10	2,540	5,250	-	-	-	467
		15	2,140	4,230	5,460	-	-	710
		20	2,060	4,090	5,200	5,960	-	1,039
		25	2,030	4,030	5,150	5,950	5,810	1,378
500	3	5	8,630	-	-	-	-	518
		10	2,880	6,380	-	-	-	556
		15	1,900	4,900	6,830	-	-	818
		20	1,840	4,740	6,500	7,440	-	1,231
		25	1,820	4,680	6,440	7,440	7,260	1,658

Table 2B: Credits With General Subsidized Installments
(May be granted or obtained irrespective of the number of children)

Loan (1,000 forints)	Payment obligation (forint/month)					Total payment obligation (1,000 forints)
	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	
200	3,680	-	-	-	-	232
	2,560	3,070	-	-	-	338
	2,300	2,730	2,730	-	-	466
	2,200	2,630	2,600	2,980	-	625
	2,170	2,590	2,580	2,980	2,910	794
300	5,790	-	-	-	-	347
	3,840	4,600	-	-	-	506
	3,450	4,100	4,100	-	-	699
	3,310	3,950	3,900	4,470	-	938
	3,250	3,890	3,7870*	4,460	4,360	1,190
	7,720	-	-	-	-	463
	5,120	6,140	-	-	-	676
	4,600	5,460	5,460	-	-	931
	4,410	5,260	5,200	5,960	-	1,250
	4,330	5,180	5,150	5,950	5,810	1,585

* [as published]

Table 3

Credits	Changes	Installment payments, one child				Total repayments (1,000 forints)
		Year 1-5 (forints/month)	Year 6-10 (forints/month)	Year 11-15 (forints/month)	After 15 Years (forints/month)	
Reduced rate state loans or special subsidized installment payments	1988 (35 years)	1,230	1,230	1,230	1,230	517
	Present (15 years)	2,990	3,870	4,100	-	657
	Recommended (15 years)	2,070	2,070	2,070	-	373
Bank loan or general subsidized installment payments	1988 (15 years)	5,620	5,620	5,620	-	1,012
	Present (10 years)	5,120	6,140	-	-	676
	Recommended (10 years)	5,120	6,140	-	-	676
Local Subsidy	1988 (15 years)	2,230	2,230	2,230	-	400
	Present (10 years)	3,330	3,330	-	-	400
	Recommended (10 years)	3,330	3,330	-	-	400
Employer subsidies	15 years	1,100	1,100	1,100	-	200
All monthly installments	1988	10,180	10,180	10,180	1,230	2,129
	Present	12,540	14,440	5,200	-	1,793
	Recommended	11,620	12,640	3,170	-	1,649
Present/1988 - %		123.2	141.8	51.1	-	84.2

Table 3

Credits	Changes	Installment payments, one child				Total repayments (1,000 forints)
		Year 1-5 (forints/ month)	Year 6-10 (forints/ month)	Year 11-15 (forints/ month)	After 15 Years (forints/month)	
Recommended/1988 = %		114.1	124.1	31.1	-	77.5
Recommended/Present = %		92.7	87.5	61.0	-	92.0

Tables 3 and 4 utilize the data presented in the first two tables and show the old, present, and recommended construction in 5-year cycles, with monthly installment payments broken down into families with 1, 2, and 3 children. Considering all types of loans, the amount of all monthly installments is substantially more favorable in the recommended model than under

the present formula, and the total amount to be repaid is less by several hundreds of thousands of forints.

Installment payment subsidies may be regrouped in order to supplement bank profits, but the figures demonstrate that with its present installment payment subsidies the state finances more the interests earned by the banks than it supports those who want to acquire apartments.

Table 4

Credits	Changes	Two children				Total repay- ments (1,000 forints)	Three children				Total repay- ments (1,000 forints)
		Installment obligation (forint/month)					Installment obligation (forint/month)				
		Year 1-5	Year 6-10	Year 11-15	After 15 Years		Year 1-5	Year 6-10	Year 11-15	After 15 Years	
Reduced rate state loans or special subsidized install- ment payments	1988 (35 years)	1,470	1,470	1,470	1,470	615	1,850	1,850	1,850	1,850	777
	Present (15 years)	2,140	4,230	5,460	-	710	1,900	4,900	6,830	-	818
	Recom- mended (15 years)	2,760	2,760	2,760	-	497	3,450	3,450	3,450	-	621
Bank loan or gen- eral subsidized installment pay- ments	1988 (15 years)	3,240	3,240	-	-	389	-	-	-	-	-
	Present (10 years)	2,560	3,070	-	-	338	-	-	-	-	-
	Recom- mended (10 years)	2,560	3,070	-	-	338	-	-	-	-	-
Local Subsidy	1988 (15 years)	2,230	2,230	2,230	-	400	2,230	2,230	2,230	-	400
	Present (10 years)	3,330	3,330	-	-	400	2,300	2,300	-	-	276
	Recom- mended (10 years)	3,330	3,330	-	-	400	2,300	2,300	-	-	276

Table 4

Credits	Changes	Two children				Total repay- ments (1,000 forints)	Three children				Total repay- ments (1,000 forints)
		Installment obligation (forint/month)					Installment obligation (forint/month)				
		Year 1-5	Year 6-10	Year 11-15	After 15 Years		Year 1-5	Year 6-10	Year 11-15	After 15 Years	
Employer subsidies 15 years		1,100	1,100	1,100	-	220	1,100	1,100	1,100	-	200
All monthly install- ments	1988	8,040	8,040	4,800	1,470	1,604	5,180	5,180	5,180	1,850	1,377
	Present Recom- mended	8,870	11,730	9,290	-	1,770	5,300	8,300	7,930	-	1,294
		8,650	10,260	3,860	-	1,435	6,850	6,850	4,550	-	1,097
Present/1988 = %		110.3	145.9	193.5	-	110.7	102.3	160.2	153.1	-	94.0
Recommended/ 1988 = %		107.6	127.6	80.4	-	110.7	132.2	132.2	87.8	-	79.7
Recommended/ Present = %		97.5	87.5	41.6	-	80.8	129.2	82.5	57.4	-	84.8

Soviet Balance of Payments Options Analyzed
25000239b Budapest HETI VILAGGAZDASAG
in Hungarian 15 Apr 89 pp 4, 5

[Article by Ivan Szegevari, Deputy Director, Planned Economy Research Institute: "Hungarian-Soviet Balance of Payments: The Money Seekers"]

[Text] How long should we wait for CEMA reform? Insofar as Hungarian-Soviet financial settlements are concerned it appears that they have "short-circuited" the commercial circuit. This is what we find at least on the basis of the latest Gorbachev-Grosz meeting. In the first round Hungarian experts consider four alternatives. These are the free foreign exchange system, the clearing system, the "Finish model," and the simplification of existing regulations. Our author, the deputy director of the Planned Economy Research Institute provides his view about these alternatives. His opinion represents one of many.

The central element of the oft criticized CEMA foreign exchange financial system, the transferable ruble does not really deserve its name. It cannot be exchanged freely among CEMA countries, it can be bought up only in those countries which acquired some as a result of exports. Moreover, the term "buying up" is also an exaggeration, because only certain goods can be purchased for it at certain times. Thus, at the risk of exaggerating a bit, it resembles a movie ticket more than it does money. This situation, of course, is only a consequence of the fact that even today, in the framework of CEMA cooperation merchandise, money, and market conditions have a fundamentally subordinate and passive role.

Similarly, alternatives for reforming Hungarian-Soviet economic cooperation have been the topics of months long heated debate at the professional level. In the course of these debates a number of pronouncedly different, specific proposals have emerged. At first sight, the individual alternatives appear to differ mainly in their foreign exchange financial effects, but differences at least as substantial may be found in views concerning the contingent system, pricing, internal regulations and the time frame in which reform should take place.

According to the most radical alternative a changeover to payment and settlement in free foreign exchange—mostly in dollars—should be accomplished as soon as possible. In this way trade would evolve without contingents, at current world market prices, purely in accordance with the rules of the marketplace. It is assumed that in this case world market value judgments would prevail in a comprehensive manner in Hungarian-Soviet relations. Hungarian exporters would be confronted also in the Soviet union with a tough competitive situation, which undoubtedly would motivate also the Hungarian reform process.

The realistic nature of this recommendation is clouded by two factors. One is that a changeover to the consistent and strict enforcement of the order of values established in world markets would have extraordinary consequences insofar as the volume and composition of trade is concerned. Estimated projections made by various sources show that the balance of payments effects of the changeover would create an annual \$1.5 billion loss for Hungary. Moreover, under increased scrutiny one finds that this amount would be increased by costs related to

production and employment. These would represent a supplemental burden, and would result from suddenly increasing budgetary support and declining exports.

In my judgment, realization of the free foreign exchange alternative may be questionable if viewed from another angle. Declarations, brave determinations and decisions do not suffice even in a cooperative scheme to establish comprehensive market conditions. One must consider that for many long years to come the preponderance of administrative management methods will remain a fixture of the Soviet economy. For this reason it is hard to imagine that a Hungarian enterprise and the chief division of Gosplan having jurisdiction would spontaneously establish a market relationship, while the ultimate trading partner of Hungarian enterprises would be the Soviet state administration. It is self-evident that the Soviet state administration would always convey the internal needs of the Soviet economy to us, and not the requirements of the global marketplace. At most they would convey such requirements in terms of convertible foreign exchange.

The chief elements of the clearing accounting alternative are the same as those of the free foreign exchange alternative. The difference is that in the framework of clearing relationships there would not, and could not come about significant bottom line figures in foreign trade balances. At the same time this would eliminate the possibility that an unbearable deterioration in the balance of payments, and a decline in exports and production results in Hungary. Nevertheless, by virtue of the nature of clearing trade the linking of various goods would unavoidably reoccur, price ratios and qualitative requirements would be distorted as compared to world markets, while the assumed advantaged would not materialize either. Thus, a cooperative system would come about with hardly any qualitative difference from what we have today, and one which would be still removed from world market standards. The essential difference would be that lacking contingents and along with free price bargaining by the enterprises the partner would have an easier way to enforce his endeavors to establish a central pricing and structure formulation, as well as to attract resources.

Adapting the mechanisms and solution used in Finish-Soviet trade represents another possible reform of Hungarian-Soviet cooperation. The idea has many supporters. Under this system there would be no mandatory contingents, and trade volume, structure, and prices would evolve in the framework of market relationships between enterprises. Payment settlements, however, would continue to take place in transferable (i.e., essentially clearing) rubles, while parts of possible remaining balances would have to be paid in convertible currency. In considering this alternative one should count on the evolution of a comprehensive market system, and with smaller losses resulting from the changeover spread over a period of time. The neuralgic point of this alternative however is that in the course of establishing this system it is not clear how all of the trade could be based on market principles. In my judgment, uniform exchange rate regulations cannot be

applied to distorted external market value judgments. On the other hand, the neutralization and adjustment of distorted value judgments necessarily requires the extensive functioning of a system of subsidies and withdrawals. Under given conditions, between enterprise interests and macroeconomic interests the management of frequent conflicts that would necessarily evolve would suggest the need for the maintenance of large scale administrative directive elements.

The fourth reform alternative starts out from the principle that contingent trade must be reduced gradually, and that paralleling this, market conditions must be expanded. It is suggested that as a first step actual interenterprise cooperation free from administrative constraints and operational intervention should be established. In these relationships settlements would be reached in national currencies, consistent with the exchange rates evolving in the internal foreign exchange market to be established. The effective scope and rate of expansion of this liberalized sphere would depend on the evolution of reform and decentralization processes of the partner country, as well as on the market development and sales efforts of the two trading partners' enterprises. Within the contingent trade sphere payment would continue to be made in transferable rubles, but prices established within contingents would be valid for a period shorter than they are now. Supposedly, the realization of this recommendation would incur the least loss that may be attributed to a changeover, and this is the alternative which could be best harmonized with Soviet reform processes. Doubtless, however, it is under this scenario that the least radical changes would take place, and that in the course of transition one would have to deal with a number of the existing problems implicit in contingent trade under a centralized system, and with the regulatory effects of rubles, which are removed [e.g., from market effects].

It appears that there is no perfect answer to the reform of Hungarian-Soviet relations, one that is advantageous in every respect. Various alternative approaches to reform are accompanied by very different one time and long term macroeconomic advantages and disadvantages and have differing chances of succeeding, are wrought with uncertain suppositions concerning the expected conduct of the trading partner, and yes, it is questionable in what manner each alternative would affect the Hungarian reform and stabilization process. Despite all of its disadvantages, in our present situation I find the fourth alternative as realistic and most useful. I believe that two parties are needed also to place bilateral relations on market foundations. In this regard a new situation would emerge only if the forint were already a convertible currency, and if very fundamentally the economy would function according to market standards. In my judgment, genuine market conditions cannot be conveyed and generated by foreign exchange "borrowed" from the outside, and by using simulated world market prices. Also for this reason I believe that I see the potential for substantive reform primarily in national currencies, as well as in a free trade and pricing within the liberalized sphere. Frequently the

disadvantages of the contingent system are overstated. This takes place by attributing unfavorable effects to the system which are much more a result of bad economic policy decisions and of internal regulations which have not been thought through well enough.

Calculating Game....

Under guidance of the National Planning Office, specialized committees were formed to discuss methods by which payment settlements in Hungarian-Soviet mercantile trade could be modernized. By drawing in the Ministry of Finance, the Hungarian National Bank and the various specialized ministries these committees are examining the macroeconomic effects of a changeover to dollar based accounting, clearing trade, and to the "Finish model" respectively.

Last week the Ministry of Industry convened the most interested exporters and importers, and by providing methodologies for calculation, it encouraged the enterprises to provide an idea by late April as to the expected favorable and unfavorable effects. The enterprises reflect a representative sample of all export and import enterprises and their starting point was to be dollar based accounting. As Ministry of Industry executive Mrs Gyorgy Szalai said, initial calculations made by the Ministry showed that an immediate changeover to free foreign exchange accounting would result in significant losses on exchange rates in the short term, while in the long term it would prompt industry to accomplish an actual structural change.

Feverish work began to do the calculations. Medicor president Istvan Martos had this to say: "We just began our calculations. Initial calculations show that in case of dollar based accounting our trade volume with the Soviet Union would drop to half of the present levels. We still have to analyze how this would affect our production structure..." Adam Angyal, President of Ganz-Danubius: "This would be America in terms of ship building! Only if exchange rates are realistic, of course. In my view we should go even further, and accomplish that enterprises settle their balances with enterprises." Budaprint business manager Jozsef Krausz: "Contrary to all rumors to the opposite, dollar based accounting would be very advantageous for the textile industry. At present, exporting to capitalist countries provides us 90 cents per meter. The same material sells at 60 kopeks per meter to the Soviet Union. Although as a result of depressed socialist price levels they have 'mercy' on us and provide price supports, nevertheless we are the 'bad boys.'" OKGT [National Oil and Gas Industry Trust] business manager Laszlo Wappel: "In my personal view, following changeover the economy would have difficulty in manufacturing products to offset imports. Accordingly, we would once again incur losses. The change would be favorable from the standpoint of the oil industry, because the 'three market' outlook would cease to exist. At present the state skims the profits from lower socialist import prices. If we were

to import crude oil from the Soviet Union at world market prices, the budget would not acquire this kind of revenue..." Telephone Factory president Karoly Koncz: "We favor a gradual changeover. First the difference in balance must be solidified, then we should account for in clearing, and only then should we change over to free foreign exchange accounting. All this represents a serious challenge to our enterprise, but given sufficient time for change, exports will be limited by the value judgment rendered by the market place and not by contingents."

According to MEM [Ministry of Agriculture and Food Industry] economic chief Endre Szollosi, considering the scope of information available, they are not yet asking calculations from the enterprises because they have no accurate knowledge at this time regarding the prices and exchange rates that should be used for the calculations, and as to what constitutes strategic products. In Szollosi's view, from the standpoint of the food industry it would be of definite benefit to change over to dollar based accounting, because in this way the food industry would not be burdened by depressed, artificially developed price levels, at last.

Essentials of Import Liberalization Discussed 25000171a Budapest FIGYELO in Hungarian 23 Mar 89 pp 1, 9

[Interview with Janos Gacs, Kopint-Datorg main division head, by Robert Becsky: "Import Liberalization: Advantages and Dangers"; date and place not given; first paragraph is FIGYELO introduction]

[Text] The clock of "import liberalization" has been ticking since 1 January—with the opening of a limited hard currency market—moreover, starting in March, the hands of the clock are expected to start visibly moving. We still do not have any experiences about the way the system works, but we already have a certain idea about the dimensions and composition of the scope of liberalization. And, of course, we also have some suppositions about its expected effects. For years now, workers at the Kopint-Datorg Institute for Market Conditions, Research, and Information have been examining our domestic system of import management, and other methods of liberalization that have been experimented with, mostly in the developing countries. We went to ask Janos Gacs, the institute's main division head, to comment on the essential features of the introduced system, in light of our international experiences.

[FIGYELO] There was intense debate at one time among both theoretical and practical experts about how open the Hungarian economy really was, and whether or not there was a need for further opening. This same question may now be raised as follows: is it correct for us, at our present level of indebtedness, to place the emphasis on the liberalization of imports as a part of our strategy to open up to the world economy?

[Gacs] I would like to state at the outset that the liberalization of imports is an essential part of our effort to open up to the world economy. We cannot adapt to world economic changes simply by activating one—the export—side of the trade equation. Input and finished product procurements play an equally important role in

conveying the ongoing changes in international trade to the merchants and producers as are foreign sales of domestic products.

The economic policies of recent years can be blamed not only for using mostly ineffective methods of often harmful consequences, but also because they distanced themselves from all alternatives to controlling imports by way of administrative restrictions.

[FIGYELO] Does this mean that as far as the near future is concerned, import liberalization is still not going to be the most important element of opening?

[Gacs] The way I would put it is that it will be one of the most important factors, as stressed in the proposals of the reform committee working on the issue of world economic opening. (For more details on this subject, see FIGYELO 7/1987!) But for the beneficial effects of even the most carefully thought through policy of liberalization to fully assert themselves they must be coupled with measures aimed at effectively stimulating and deregulating our exports and with other appropriate economic policy steps, as well with clear initiatives toward a systematic reorientation of Hungarian foreign trade.

[FIGYELO] But the reason why import liberalization is so vitally important is not only because of its foreign-market related implications, but also because of its impact on the development of our domestic markets.

[Gacs] That is right, but one of the most important, yet rarely emphasized reasons behind why this is so is that it may contribute to giving all economic entities an equal chance at success.

In our previous system of import procurements the chances afforded to the various players of the domestic market at procuring import machines, materials and spare parts were far from being equal. On the one hand, there were the privileged ones, while on the other there were those who were systematically left out of the import picture.

[FIGYELO] We were also able to acquaint ourselves with the principles of the system's operation, as many researchers who tried got themselves into trouble when attempting to look into the matter.

[Gacs] I, too, have such experiences. More important, however, was the fact that the embargo imposed on our system of import management was not limited to researchers and outsiders. The enterprises also lacked a real overall understanding of the system, hence they were unaware of the opportunities available to them. Last year, for example, as a step toward import liberalization, certain rules were put into effect authorizing commercial banks to make more hard currency available for import procurement purposes, but most enterprises never heard about them.

[FIGYELO] So the liberalization is expected to create a kind of equality of opportunities.

[Gacs] At least as far as gaining access to certain resources is concerned. With the appearance on the scene of new exporters, the liberalization policy aims to enhance their export abilities which is one of the basic conditions of opening up to the outside. In order for our exports to grow, we also need to effect comprehensive and thoroughly considered changes in our economic conditions.

[FIGYELO] From this point of view, how do you assess the newly introduced system?

[Gacs] It appears that it has its weak points. One of the main potential causes of tension, as far as I can see, is the absence of realistic budgetary conditions.

[FIGYELO] What do you have in mind?

[Gacs] Mainly the fact that, faced with today's cost ratios and given the opportunity, our domestic enterprises would move en masse to take advantage of removing the restrictions from their capitalist import possibilities. Otherwise it would be completely understandable if, let us say, in the case of investment goods, they were able to make up even for the higher tariff-burdened procurement price by providing better service and more reliable operation. In every country so far, where the decision has been made to lower the administrative barriers restricting imports, there have been corresponding steps taken to control demand by way of price measures. The most obvious and least complicated form of this kind of control is the devaluation of the domestic currency. If liberalization is indeed the determining element of the economic policies of 1989, then it is difficult to understand why so far we have not seen any significant currency devaluation that would be so crucial for curtailing imports. It is well known, incidentally, that devaluation plays a role not only in establishing realistic import costs, but also in stimulating exports. This year, they eliminated a whole score of—admittedly not too ideally conceived—export incentives without replacing them with other modern incentives. This, combined with the failure to devalue, has created the real danger that while convertible imports may grow more than expected, the enterprises may make less use of their relaxed procurement opportunities than desired for the purpose of expanding their hard-currency exports.

[FIGYELO] There are many who, pointing to its inflationary effect, question the effectiveness of devaluation, while at the same time placing their trust in the selective power of a more strict monetary and fiscal policy. This approach would compel producers to turn to the convertible market by reducing the buying power of the domestic market, and placing more restrictions on our socialist exports.

[Gacs] I have my doubts concerning this assertion. Restricting demand has never proven to be a real effective solution. Neither from the point of view—recalling last year's debate about the exchange rate and regulation of the ruble—of our external, nor from that of our domestic markets. There is, for example, still no indication that the state is ready to allow chronically money-losing enterprises or firms lacking operating funds to go bankrupt, even though in the final analysis this would be one of the best indicators of the strictness of our monetary policies.

[FIGYELO] Now from the industrial policy standpoint, would you give your assessment of our liberalization program.

[Gacs] From the point of view of protecting our domestic industry, I do not believe that our import liberalization program has been adequately thought through. Because of the protracted debates over whether to implement options A or B, the economic units did not learn about the extent and scope of import liberalization. The goal of promoting import competition is obviously not to force a large number of domestic enterprises into bankruptcy, but rather to give them enough time to prepare themselves for and adjust to the growing competition. The enterprise, in other words, should be placed into a pressing situation, while at the same time it should be afforded the opportunity to change its ways.

[FIGYELO] Do you feel that these requirements were not properly reflected in the adopted liberalization plan?

[Gacs] Yes, I do; liberalization, after all, has been applied to a very broad spectrum of products without even a minimum of warning or an opportunity for anyone to prepare. I also suspect that the considerations of a well-founded industry policy did not play any role in selecting the product categories to be affected. This is how completion—combined with further cutbacks in socialist exports—can get many enterprises into trouble, and it is not inconceivable that—because of their considerable weight—they may even force a return to the old organizational form. What may also happen, of course, is that someone may somehow try to sneak back into the system certain licensing requirements (for example, by citing various form-related reasons; delaying the disbursement of hard currency; prescribing that the forint collateral necessary for procuring imports be kept in reserve for a longer period; enforcing monthly and quarterly quotas, etc.) Incidentally, I consider the second possibility an even more realistic danger.

[FIGYELO] You have a rather pessimistic view of the future.

[Gacs] I would not say that. I think that it is possible to transform the present system in a sensible manner. In 1988, we had in place a so called normative system of import automatism connecting exports and imports,

which in the case of certain enterprises undoubtedly helped to increase the volume of exports.

It was, in part, upon analyzing the experiences of this system that my colleagues and I recommended the adoption of what we called a multiregime system which, among other things, would eliminate the main disadvantages of normative import automatism, the basis-oriented approach and the conservation of the system. In addition to promoting a liberalization cycle that is narrower in scope and more gradually expanding than what we have in place today, our proposal also calls for the adoption of an import management regime under which in return for an export pledge, the business—regardless of whether or not it had exported anything in the past—would be allowed proportional access to imports, while at the same time facing the possibility of sanctions in the case of failure to live up to those pledges.

As far as the future is concerned, I consider it extremely important to have a system of liberalization that is fully open, one which is implemented at a rate announced in advance. It is essential not to allow bureaucracy to have a way—in the case of short-term tensions—of interfering in the system in an uncontrolled manner.

[FIGYELO] In other words you feel that a 40-percent liberalization is excessive?

[Gacs] What we have is a unique situation. International literature and our practical experiences all seem to support the idea of a large initial dose, so in this respect liberalization can be described as positive. Given our undeveloped market conditions, however, this solution may also yield just the opposite of the expected results. A large number of bankruptcies may start an avalanche of rescue actions, which in turn may lead to the withdrawal of all liberalization measures, and to the discrediting of the very concept of liberalization.

We must also not forget that import liberalization may have effects other than just the displacement of domestic production. In our country, the concept of import replacement has a rather negative ring to it. Yet we know that if with the help of gradual liberalization, coupled with devaluation and decontrolled prices, a realistic price structure could be allowed to evolve, then the domestic production of several products could become more profitable than before, in other words, import replacement could also become more common.

To summarize, under today's undeveloped market conditions the gradual expansion of import competition as proposed appears to be preferable to the large-dose approach.

[FIGYELO] There are many today who view liberalization and the establishment of the forint's convertibility as synonymous concepts. Now that the liberalization process has begun, has the convertibility of the forint, in fact, gotten closer within reach?

[Gacs] I believe that blurring the two concepts will only lead to confusion and vain hopes. What the establishment of the forint's external convertibility will accomplish first and foremost will be to give joint and Western enterprises operating, planning to set up operations, or yet to be formed in Hungary—an opportunity to attract foreign capital. Even establishing this kind of limited convertibility, however, is dependent on a variety of factors, including the condition that domestic inflation not be allowed to exceed that of the partner countries; that the stability of the exchange rate be ensured; that we build up sufficient hard currency reserves, etc. In order for us to establish de facto domestic convertibility for the forint, however, we must—in addition to the above stability-related conditions—also succeed in liberalizing our imports as completely as possible. From the point of view of our country's prestige convertibility probably does hold some advantages, but I myself consider it to be much more important to focus our attention on ensuring that the gradual liberalization of imports take place undisturbed and effectively.

Parliament Approves Labor Law Amendments

25000166b Budapest NEPSZAVA in Hungarian
11 Mar 89 pp 3-4

[Text] "When the labor administration received the assignment to review present regulations in parallel with formulation of the law on associations, it quickly became obvious that complete correction could only be achieved through creating a labor code on a new basis," said the state secretary in his introduction.

"We think that a law based on modern principles and attitudes can take effect on 1 January 1991, after a broad social debate preceding parliamentary approval."

Csaba Halmos asked, "What caused the government to recommend amending the labor code at this time? Our basic goal was to create harmony with the law on associations—not just with the letter of the law, but also with its spirit."

The president of the ABMH [State Wage and Labor Affairs Office] grouped the provisions of the recommendation into three large groups. The first, and perhaps the largest, contains those rules that serve to modernize the mechanism for conciliation of interests, since in the future the positions of owners and workers in labor organizations will be defined much more sharply. The second group of rules in the recommendation concerns the system of extra employment of workers, that is, second jobs and side occupations. The present regulations are complicated and exceptionally rigid, and they must be changed. Finally, the third group contains provisions that are aimed at preventing a few difficulties that have arisen in practice in applying the law.

After that, Csaba Halmos spoke about the principles of the regulations regarding the mechanism for conciliation

of interests, principally the system of collective agreements. A great deficiency in the present regulations is that they only try to resolve conflicts within labor organizations. An important means for further progress will be the introduction of the institution of general collective agreements.

The state secretary said further that, "Changing the system of collective agreements also affects the content of agreements. The recommendation puts an end to an old debate when it says that a collective agreement can regulate any question, but naturally not in a illegal manner."

After that, the state secretary, Csaba Halmos, spoke about what a far-reaching regulation the introduction of conciliation procedures will be. "The present regulations specify exhaustively the system for deciding various kinds of legal debates. However, the experience of recent years indicates caution," the state secretary added, "because we know that how well interests are realized depends not on the number of laws but on the way they are implemented."

In connection with conciliation of interests the presentation called attention to two other rules. The present law ignores the regulation of the lowest level where participation of workers in leadership is concerned.

Another debatable question is: When more than one trade union operates with one single employer, and they do not act uniformly, which of them shall exercise the rights that they cannot exercise separately?

"In such a case the provisions stipulate—in accordance with accepted practice abroad—that the trade union with the largest membership shall have preference. During the debate many people recommended that this paragraph be eliminated, as it takes the possibility of defending interests away from the smaller trade unions. In the course of preparatory consultations the trade unions found the possibility of unified action to be a realistic one, and for this reason I support elimination of this paragraph from the proposed law," said the state secretary.

Committee member Sandor Katona presented the recommended law on behalf of the plan and budget committee and the legal, administrative, and justice committee and called attention mainly to the fact that no parliamentary committee has disputed the necessity of the recommended law. A new element in the law is the introduction of conciliation procedures that will contribute to helping employers and employees resolve their interest conflicts themselves. The committees came to the opinion that obstacles should not be placed in the way of employees and their representatives expressing their opinions.

After this, Sandor Katona presented some motions for changes in connection with workers' opinions and the veto right of trade unions. The committees regarded the

former as something that can be achieved through representation, and they found no need to put an "unreasonably large" label on the latter.

Next in the debate, Judit Benjamin and Eva Balla, representatives from Budapest, did not make any recommendations, because they were contained in the presentation and State Secretary Csaba Halmos had answered the questions that arose in the debate. As he said: "Workers must be guaranteed the right to express opinions directly and through representation." He considered it important that the veto right be retained in case of unreasonably great harm to interests.

Following this, the Parliament voted. In accordance with the new house rules, the recommended law amending the labor code was approved for detailed debate with no negative votes and 12 abstentions.

But there was no detailed debate, because Sandor Dauda and Laszlo Boros, representatives from Budapest, moved that the debate be suspended as they had not received the committees' recommendations for amendments. Then the presiding officer, Mrs. Robert Jakab, vice chairman of Parliament, ordered a recess.

After the recess, the voting took place. After voting individually on the amendments, Parliament accepted the recommended law amending law number II of 1967 regarding the Labor Code with 3 negative votes and 19 abstentions.

Stabilization Loses Priority to Market Development
25000237a Budapest NEPSZAVA in Hungarian
11 Apr 89 p 4

[Unattributed article: "Establishing the Market, not Balance, Is the Main Goal"]

[Text] Working Group No 1 of the Economic Reform Committee called into being by the government last summer has finished its 3-year plan for economic transformation and stabilization, according to a statement made to journalists by Working Group chairman Ivan T. Berend and Akos Balassa, Peter Bencze, Sandor Czirjak, Laszlo Harsanyi, Tamas Nagy and Andras Vertes, members of the editorial committee.

As a matter of introduction Berend listed the various aspects of the report considered most important by the Working Group.

The plan, a result of work conducted since last summer, is actually only a first draft which summarizes views formulated by the group. The most important new feature of this work is that it reverses the thought process. It is not the narrower aspect of stabilization and balance that has priority. The plan is based on the idea that every economic measure has backfired in the absence of comprehensive and unified market conditions. For this reason, the most important element of our

search for a way out is the establishment of an environment which ensures market conditions throughout. For this reason, in the next 3 years, i.e. beginning in 1990, it will be necessary to take those most important steps in this process to bring about a radical change. This kind of change is enhanced by a substantial change in proprietary conditions, by privatization, and also by a substantive change in external economic factors, primarily those in the CEMA system of relationships.

The answers to the remaining questions flow from this idea, and from the recognition that the recommended sudden change in market conditions represents a departure from decades-old reform policies which advocated gradual, step-by-step change. The new approach would also provide a definite boost to economic processes from the structural standpoint. Liberalization, the transformation of CEMA, the evolution of a private sector with small- and medium-sized plants will be the focus of structural transformation according to the Working Group. This, in turn, requires a well-founded, central state assistance policy. This is particularly so, because in this case we are not only dealing with a change in product structure based on considerations of keeping up-to-date, competition, and modern technology. Instead, the change also involves a macroeconomic structural transformation which has a more comprehensive meaning.

Structural transformation is also required in distribution policies. This is reflected in the modest stabilization plan which may be summarized by saying that we should be able to secure at least the present external balance during the coming three years; some foundation should be developed for moderate economic growth, and there should be an opportunity for halting the decline of the standard of living as a result of a more decisive improvement in the internal balance.

The government advisory body will debate the material upon its first reading on 11 April. The purpose of that body is to schedule further work concerning social programs and contexts. According to plan, the recommendation would be presented on 14 April to the Economic Reform Committee chaired by Rezso Nyers. Following that, and after necessary corrections, the recommendation would become the subject of broadly-based debate. All remarks, every recommendation and critique is needed because ultimately, the 3-year program will become an important part of the Economic Reform Committee's final summary.

According to present plans, the committee work will become part of the new program to be developed by the government. In other words, it will be added to the work done by the [party] apparatus and the government apparatus, using a different approach.

POLAND

Free Trade Zone Update: Share Sales, Investment, Infrastructure

26000446 Warsaw *PRAWO I ZYCIE* in Polish
No 13, 1 Apr 89 pp 6-7

[Article by Danuta and Aleksander Wroniszewski: "A Tariff-Free Opportunity: In Swinoujscie They Are Planning to Assemble Japanese Automobiles"]

[Text] Twice at the beginning of 1988 and once in the middle of the year, we wrote about the first initiative of this type in Poland, the creation of the Szczecin-Swinoujscie free trade zone. We showed how rapidly the project was taking on realistic shape, how it ignited the minds of the creators and the residents of the region, and how cold a reception it received "upstairs."

Still at the end of July 1988, a representative of the Ministry of Foreign Economic Cooperation, Jan Monkiewicz (as did at least several other officials), seemed to have no idea that documents had come in from Szczecin as well as from Gdansk. In a radio discussion with Witold Andruszkiewicz from Gdansk and Jan Stopyra from Szczecin, he advised them that they, down below, should prepare the ministerial decree inasmuch as it was an initiative from below and not from the government. Angered by the arrogance and the fact that the speaker was uninformed, Prof Andruszkiewicz proposed a change of places. As we remember, the earthquake in the ministerial offices happened for other reasons.

Since the positions of the previously formed, special interministerial commission were not threatened, the initiators of the free trade zone waited for the results of their work. But the commission showed no signs of life. Meanwhile, in other regions of the country in the fall of 1988, similar initiatives began to appear like mushrooms after a rain—not just in Gdansk, Warsaw, or Krakow, but in gmina towns like Ustka or Naklo. The residents of Pomerania became nervous: was their idea to be implemented faster by others? The initiators of the idea took the events calmly: "For us," said Bernard Lemanczyk, the port representative, "the zone is the center of the world, but the new government from its point of view has the right to have a different hierarchy of importance."

Nevertheless, when news of the registration of the partnership Free Trade Zone in Gdansk reached them, they decided to constitute themselves notarially (19 October 1988) as the stock company Szczecin-Swinoujscie Free Trade Zone with a founding capital of 100 million zloty. The founding members were four institutions with the following holdings: the Szczecin-Swinoujscie Port, 52 percent and the stock companies Polish Shipping and C. Hartwig and the Szczecin voivod, 16 percent each. Ryszard Karger, also president of Polish Shipping, was chosen president of the board; Jan Stopyra, representing the Szczecin voivod, was chosen deputy president; Bernard Lemanczyk, representing the Szczecin-Swinoujscie

Port Authority, was chosen secretary. The remaining board members are Jurand Kobylarz of the Port Authority and Andrzej Zaleski, representing C. Hartwig. Jan Wieclaw, director of the port, heads the Supervisory Council.

A month later on 19 November 1988 in Szczecin, Kazimierz Kmiecik officially announced the registration of the stock company Szczecin-Swinoujscie Free Trade Zone in the trade register, which meant that it had gained the status of a legal person. A week later, at an extraordinary meeting, the partnership set, among other things, its capital at 2 billion zloty and decided to issue 2,000 shares in December 1988.

These moves seemed to remind the new government of the old initiative. "The minister for foreign economic cooperation, Dominik Jastrzebski," says Bernard Lemanczyk, "named two independent specialists to evaluate the operation of free trade zones: Wojciech Polaczek, director of Rybex in Szczecin, and Aleks Latra, director of Centromor in Gdansk. Their findings turned out to agree with what we had written in July 1988 to the then minister Wladyslaw Gwiazda (with which he in principle agreed), namely, for Polish free trade zones and special economic zones to be competitive, they needed government guarantees ensuring at least 25 years of stable economic principles. Only one tax, an income tax, of a maximum of 30 percent assuming an exemption from the tax for at least eight years from the beginning of operations and including the possibility of tax relief for reinvestment or the support of production. Further, the partners must have unlimited freedom to transfer net convertible-currency profits abroad and the right to repatriate the capital invested by the foreign subject, beginning in the 10th year after the tax exemption ends.

"Unfortunately, the planned free-trade operations at Lasztownia and the Ewa wharf, where Polish workers would serve ships for the port and ships for the free-trade zone together, is," says Jozef Ziemba, director of the Szczecin Customs Office, "in light of the current regulations unthinkable. We must also take into account that production activities will also be conducted in the zone and that customs agents will also have to go into the halls."

Deputy Ryszard Szunke, deputy chairman of the Sejm Commission for Foreign Economic Cooperation, assures us that the deputies are very interested in free trade zones. "At the end of November," he says, "two working groups studied the subject: one in Szczecin, the second in Gdansk. I think that operation of free trade zones and special economic zones should be regulated by law, for the current customs law and commercial code do not provide the appropriate conditions for the operation of a free trade zone."

The Szczecin experts are of the same opinion. The partnership is interested in something more than simple operations in the port; it is interested in attracting

foreign capital, not so much stockholders, as investors. "Perhaps it is too bad that representatives of various firms from England, Sweden, the FRG, Denmark, Japan, the United States, and South Korea are coming to us and not to the ministry. Some even several times. The discussion begins and ends with the first question about legal guarantees. . . . Some socialist countries—Czechoslovakia, the USSR, and China—have also displayed some interest."

"Nevertheless, we can attract attention around the world," declares Ryszard Karger, and he emphasizes the strengths of the region: 1) the geographical rent or the location of Szczecin in the center of Europe at the crossroads of the north-south and east-west trade routes, and its reasonably good infrastructure; 2) land rent, i.e., is cheap and there is plenty of virgin territory for development along the right bank of the Swina River; and 3) a low-cost intellectual and professional labor force.

Those who fear a threat from foreign, especially German capital, are told that the foreign investor will not be the owner, but only the lessee, of the land and like a partnership will only lease some land for a definite period of time. For those who capriciously say that free trade zones are economically outdated because the world is interested in modern arrangements in special economic zones need only be shown the charter of the partnership: Free Trade Zone—Special Economic Zones.

The vision for development in Pomerania is bold and comprehensive. The rejuvenation is to begin with a free trade zone in the port since some gains can be counted on there just by changing its status, even without investment. The amassed capital of the partnership is earmarked primarily for preparing the infrastructure to make the zone more attractive to foreign enterprises which will locate in the special economic zones on terms that are more advantageous than for normal foreign and mixed enterprises. Investments in infrastructure will pay for themselves since "hard" currency will flow into the state treasury just for leasing the land, using water, electricity, etc.

The protective layer, the insulation, will be the Intensive Economic Zone. A working group under Prof Piotr Zaremby, named by the Szczecin voivod, has already made corrections to the voivodship regional development plan. The corrections will make it possible to locate 10,000 plots for new production and service enterprises. Several hundred were ready for sale at the end of 1988; in 1989, there are to be 1,500, and each following year, there are to be 2,000 new ones. They will be sold at auction, not just in order to avoid bribery, but in order to obtain sufficient funds to prepare the infrastructure of the land.

Many enterprising Pomeranians have presented ideas for good businesses. Doc Ryszard Langowski, the author

of the conception, developed at the behest of the Chief Technical Organization, says: "The operations of the Intensive Economic Region, which the free trade zone should stimulate, is to liberate people, but it is primarily to profit the gminas and cities in the areas in which the plants are established, then the voivodship, and the nation, and finally those who undertake the operations. I think that the production of the majority of the firms should be highly automated, even highly robotized. Highly technically advanced equipment and machinery should be exempt from customs duties, and prototype production should benefit from tax exemptions. We want the producers to cooperate with the shipyards, the port, and foreign enterprises in the special economic zone. Foreign entrepreneurs are also seeking plots in the Intensive Economic Zone."

Meanwhile, the ports in Darlowo and Kolobrzeg (250-300 ships annually put into the latter) have expressed a willingness to cooperate with the Szczecin-Swinoujście Free Trade Zone-Special Economic Zones. More than five voivods have made an interesting proposal to create, as part of the Szczecin free trade zone, a federation of Odra ports with, among other rights, the right to free storage: in Cigacice, in two Wrocław ports, in Opole, and Kozle-Kedzierzyn. The port in Gliwice where the Canal Gliwicki joins the Odra sees free-trade opportunities for itself.

The Board of the Free Trade Zone-Special Economic Zones is not waiting with its arms folded for a decree of the Council of Ministers forming the free trade zone. During the second half of December 1988, they began to sell 1,000 shares (the second 1,000 are being held for "hard-currency" clients). They went in a week without advertisement, although the market value was 5 million zloty (par value of 1 million zloty). Among the buyers were private purchasers (one of them was prepared to buy 25 shares) and large and small enterprises such as Baltic Shipping, Odra Shipping, the Central Petroleum Agency, Ship Service, the Lodz Development Bank, the Szczecin Voivodship Domestic Trade Enterprise, Otex from Lodz, Interpegro, Szczecin Press Publishers, the president of Kozle-Kedzierzyn, Odra Clothing Industry Plant, the Tailor Workers' Cooperative from Suwalki, Exbud from Kielce, the Automatic Systems Plant from Poznan, and others.

It may be surprising that institutions and private individuals would decide to risk 5 or 125 million zloty, although the free trade zone has not been formed. This testifies to the strong conviction that not only will it operate, but that its stock will significantly increase in market value. Further, stockholders are to have preferences in delegating their employees to work in the zone, to open their stores here, and to provide export services, etc.

There is no small amount of interest among Polish enterprises in developing investment activity in the zone. Andrzej Zaleski, a member of the port authority,

has not allowed himself to be carried away: "We should not," he points out, "be interested in capital from Suwalki or Rzeszow locating here. The country will gain nothing from moving a Polish zloty from one pocket to another. We are forming the free-trade zone/special economic zones in order to attract foreign capital and to make money off of it. Obviously, Polish enterprises will benefit. But, for example, does Zalom have to build a division in the free-trade zone/special economic zones in order to sell its cables? It can continue to make them at its factory and sell them to the free trade zone just as it has exported them. I myself as an employee of Hartwig am counting on the foreign enterprises operating in the zone in the future wanting to make use of our transportation services and onus making money."

Construction enterprises that want to obtain work from the partnership board or from foreign investors on export terms in the future are also gearing up.

Brzostowski, director general of the very energetic Agricultural Industrial Works Igloopol in Debica, commented, "Proposals that take your breath away, as they say in Szczecin." The Works wants to buy or lease the island Ostrow Mielenski (150 hectares) located in the economic zone and completely develop it: it wants to build docks for container ships and storage facilities (grain elevators, warehouses, and refrigerated storage for imported citrus fruits and vegetables). Moreover, it is offering processing plants with complete technological lines and plans to use the wastes. It is interested in fish processing and the production of feed and in a fat processing plant using Polish rape seed (1.3 million tons)

and imported soy (100,000 tons) to produce oil and margarine. Igloopol already has the requisite funds in zloty and convertible currency and is prepared now to open its office in Szczecin. It would begin immediately to build housing for employees and services for the city, for example, an auditorium-gymnasium and municipal infrastructure.

The members of the board of the Free-Trade Zone/Special Economic Zones dream of similar offers from foreign potentates. President Karger unwillingly speaks of informal discussions. We do know, however, that a factory to assemble Japanese passenger vehicles (and possibly to produce components), a plant to produce water treatment equipment, a coffee roasting plant and warehouse, and a shipbreaking yard could be established. Ryszard Karger emphasizes that production activities in the zone cannot damage the environment. "Clean" industries are preferred and "dirty" industries must have technology neutralizing their dangers.

The members of the partnership board retain their enthusiasm regarding decisions upstairs. During the current six months, they believe they will see not only the formation of the free trade zone but also regulations satisfying potential foreign entrepreneurs.

"We must succeed," emphasizes Bernard Lemanczyk. "We have too much to gain. And something, not insignificant, to lose—our Polish complex, our sense of incompetence, and the conviction that in business we must always lose."

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